Daily Report

Latin America

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FBIS-LAT-95-161 *21 August 1995*

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Results of Association of Caribbean States Summit Viewed

ACS Summit Declaration of Principles Defined

FL1908002895 Bridgetown CANA in English 2328 GMT 18 Aug 95

[All quotation marks as received]

[FBIS Transcribed Text] Port-of-Spain, Trinidad, Aug 18, CANA — Following is a Declaration of Principles at the end of the Association of Caribbean States (ACS) summit on Tourism, Transportation and Trade here Friday.

"We the heads of state and government and representatives of the states, countries and territories participating in this inaugural Summit of the Association of Caribbean States in Port-of-Spain, Trinidad and Tobago on 17-18 August 1995, express satisfaction at the entry into force of the convention establishing the Association of Caribbean States, we agree to issue the following declaration of principles on Tourism, Trade and Transportation:

1. We are firmly committed to initiating a new era in the Caribbean region characterised by the strengthening of integration, concerted action and consultation in order to ensure greater cultural, economic, political scientific, social and technological cooperation among our peoples, governments and countries;

2. We commit our countries to pursuing the promotion of this process in a climate of respect for the sovereignty and territorial integrity of our states, the right of our peoples to self determination, the rule of law, the adherance to democratic principles, the observance of human rights and the peaceful resolution of disputes;

3. We reaffirm our commitment to our common objectives within the hemispheric systems and that of the United Nations, convinced that our efforts within the Association of Caribbean States will create a more competitive and viable economic space, strengthen our capacity to implement our commitments in other domains and advance the general development and prosperity of our peoples;

4. We reiterate that cooperation among the states, countries and territories of the Association of Caribbean States provides an ideal mechanism and affords a unique opportunity for responding to the challenges and opportunities presented by the globalisation of the world economy, increased trade liberalisation and competition for investment and markets;

5. We recognise that the historical and cultural diversity of the states, countries and territories of the Association provides a solid basis for developing our efforts at cooperation and concerted action within the Association of Caribbean States in the areas, inter alia, of Tourism, Trade and Transportation as well as for contributing to overcoming the separateness of the past, to the benefit of our peoples and countries;

6. Conscious that the prime objective of our efforts must be aimed at improving the standard of living of our people and particularly, at effectively combating the critical state of poverty in which a large part of them exist, we commit ourselves to promote the sustainable development of our region, as a viable strategy aimed at improving these conditions;

7. We consider that in the current conditions Tourism, Trade and Transportation constitute three critical sectors which should be accorded priority in our concerted actions to promote cooperation which will ensure the development of our peoples and laying the foundation for advances in other areas of interest to the states, countries and territories of the Association;

8. Convinced that the natural endowment and cultural diversity and heritage of the Caribbean make it an attractive tourist destination and that the tourism sector is vital to the economies of our countries, we commit ourselves to unite efforts and actions aimed at increasing the tourist flow to and within the Caribbean, at improving tourism infrastructure and preserving the environment;

9. We reaffirm our committment to the principles enshrined in the agreement establishing the World Trade Organisation as a basis for developing free trade among all nations. We recognise the vital contribution which increased trade can make to the economic development of our countries and are therefore opposed to all policies, measures and actions which are inimical of these principles;

10. We are keenly aware that the development of our tourism industry as well as our trade in goods and other services require the development of efficient and viable air, sea and land transport systems. In this regard, we commit ourselves to taking concerted and expeditious action;

11. Cognisant of the significant differences in levels of development, size and population among our states, countries and territories we will accordingly seek means to foster development and provide opportunities to facilitate the participation of all states, countries and territories in the integration of the Caribbean;

12. We reaffirm the importance attached to the Caribbean Sea, the role it has played in our history and the development of tourism, trade and transport as well as its potential for contributing to the development of

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our peoples and countries. We are therefore determined to ensure its protection and conservation on an environmentally sound and sustainable basis, as the common patrimony of all the peoples of the Caribbean.

13. We recognise that there is significant scope for growth of tourism, trade and transportation as a means of advancing development and economic integration within the ACS region. We recognise also that the full realisation of this potential is critically dependent on our public and private sectors being able to cooperate to address the challenges and constraints as well as to exploit the synergy in the three areas.

To advance this process, we agree to adopt and implement the following plan of action;

Thursday, August 17, 1995.

Proposed alternative to paragraph 5 as a result of work of drafting committee appointed by ministerial meeting on Wednesday 16 August, 1995: We are fully cognisant that the shared historical and cultural heritage of the states, countries and territories of our association provides a solid basis for developing our efforts at cooperation and concerted action, particularly in the areas of tourism, trade and transportation, as well as (For bridging the separateness of our past to the benefit of all our peoples for enriching our future to the benefit of all our peoples);

Proposed alternative to paragraph 7 as a result of work of drafting committee appointed by ministerial meeting on Wednesday 16 August, 1995:

We consider that in the current conditions, tourism, trade and transportation constitute three critical sectors which should be accorded priority in our concerted actions to promote cooperation thus advancing the development of our people and laying the foundation for progress in other areas of interest to the members of the Association."

'Text' of ACS Summit Communique

FL1908161195 Bridgetown CANA in English 1445 GMT 19 Aug 95

[All quotation marks as received]

[FBIS Transcribed Text] Port-of-Spain, Trinidad, Aug 19, CANA — Following is the text of the communique issued in Port-of-Spain after a summit of Association of Caribbean States (ACS) leaders:

"The inaugral summit of heads of state and government and representatives of the states, countries and territories of the Association met in Port-of-Spain, Trinidad and Tobago on 17-18 August 1995. It was preceded by the meeting of officials held on 14-15 August 1995 and a ministerial meeting on 16-17 August 1995.

All these meetings took place in an atmosphere of cordiality, collaboration and mutual understanding.

This meeting was attended by the Hon. Lester Bird, prime minister and minister of foreign affairs of Antigua and Barbuda; the Hon. Owen Arthur, prime minister and minister of finance and economic affairs of Barbados; the Rt. Hon. Manuel Esquivel, prime minister and minister of finance and economic development of Belize; H.E. Dr. Fidel Castro, president of the Republic of Cuba; the Hon. Edison James, prime minister and ninister of external affairs of Grenada; H.E. Dr. Cheddi Jagan, president of the Co-operative Republic of Guyana; the Rt. Hon. Percival J. Patterson, prime minister of Jamaica; H.E. Mr. Ernesto Zedillo, president of the Republic of Mexico; the Hon. Violeta Barrios de Chamorro, president of the Republic of Nicaragua; the Hon. Denzil Douglas, prime minister of St. Kitts and Nevis; the Rt. Hon. John Compton, prime minister and minister of finance, planning and development of St. Lucia; the Rt. Hon. Sir James Mitchell, prime minister and minister of finance of St. Vincent and the Grenadines; H.E. Dr. Ronald R. Venetiaan, president of the Republic of Suriname; Hon. Patrick Manning, prime minister of the Republic of Trinidad and Tobago; H.E. Dr. Rafael Caldera, president of the the Republic of Venezuela.

In addition to the heads of state and government, other representatives were the Hon. Hubert Hughes, chief minister of Anguilla; Hon. R. Croes, vice minister of Aruba; the Hon. C.A. Smith, minister of public safety and immigration of the Commonwealth of the Bahamas; the Hon. Rodrigo Pardo, minister of external relations of the Republic of Colombia; Hon. Fernando Naranjo, minister of foreign affairs of the Republic of Costa Rica; the Hon. Carlos Morales Troncoso, minister of foreign affairs of the Dominican Republic; the Hon. Victor Manuel Lagos Pizatti, minister of foreign affairs of the Republic of El Salvador; the Hon. Alejandro Maldonado Aguirre, minister of foreign affairs of the Republic of Guatemala; the Hon. Claudette Werleigh, minister of foreign affairs of the Republic of Haiti; General Walter Lopez Reyes, vice president of the Republic of Honduras; HE Mr. Gabriel Lewis Galindo, minister of foreign affairs of the Republic of Panama; Hon. Lucette Michaux Chevry, president of the Regional Council of Guadeloupe; Captain I.A.L. Chance, minister of transport, Netherlands Antilles; and the Hon. Derel Taylor, chief minister of the Turks and Caicos Islands.

At this historic and path-breaking summit, the heads of state and government adopted a Declaration of Principles and a Plan of Action which emphasised a com-

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miment to the initiation of a new era in the wider Caribbean region characterised by the strengthening of integration, consultation and concerted action in order to ensure greater cultural, economic, political, scientific, social and technological co-operation among the peoples, governments and countries of the Association of Caribbean States.

The heads of state and government commit themselves to work in climate of respect for the sovereignty and territorial integrity of their states, the right of their peoples to self-determination, the rule of law, the adherance to democratic principles, human rights and the peaceful resolution of disputes.

Of fundamental importance is the shared perception with respect to the need to create a more competitive and viable economic space and to strengthen the capacity of the ACS membership to implement commitments in the domains and to advance the general development and prosperity of the peoples of the ACS while confronting the challenges and opportunities presented by the globalisation of the world economy, increased trade liberalisation and the need for co- operation in order to promote investment and wider markets in the region.

"The heads of state and government were conscious that the prime objective of their efforts must be aimed at improving the standard of living of their people and particularly at effectively combating the critical state of poverty in which a large part of them exist, and commit themselves to promote the sustainable development of the region, as a viable strategy aimed at improving these conditions.

The heads of state and government recognised that the historical and cultural diversity of the states, countries and territories of the Association provides a solid basis for developing their efforts at co-operation and concerted action within the Association of Caribbean States in the areas, inter alia of tourism, trade and transportation as well as for contributing to overcoming the separateness of the past, to the benefit of their peoples and countries.

In the area of tourism, the heads of state and government recognised the strategic importance of that industry and the need to develop a regional tourism strategy that draws strength from co-operation without sacrificing the interest of individual states, countries and territories or the appeal of individual national tourism products, stressing diversity and economies of scale as key aspects of the Association of Caribbean States tourism product....

The difficulties involved in harmonising the rules and disciplines of trade services and investment are recognised and in that context the heads of state and government have instructed the Secretariat of the Association of Caribbean States to execute a number of specific measures to ensure progress in the areas of trade liberalisation; trade and investment promotion and facilitation; inter-institutional co-operation and the overall follow up and implementation of the Plan of Action.

"Concerning transportation, the heads of state and government stressed the importance of the principles of easy access and equal opportunity to affordable air and maritime transportation as indispensable factors in the economic integration of the states, countries and territories of the Association of Carribean States.

In this regard, the ultimate goal is articulated to be the provision of sustainable, efficient, profitable, readily differentiated and significantly higher quality service to the travelling and cargo shipping communities at reasonable rates.

The heads of state and government have adopted the Plan of Action as a collection of integrated and closely related measures to advance the development of the Association of Caribbean States membership to its timely and effective implementation.

The first ministerial council of the Association of Caribbean States met on the morning of 17 August 1995 and selected Trinidad and Tobago as the Headquarters of the Association. At that meeting, Dr. Simon Molina Duarte, from Venezuela, was elected secretary general.

The council elected Mexico as its chairman for a period of one year. Guatemala will be host of the next ministerial council meeting which is scheduled to take place in late November 1995.

The heads of state and government have expressed their gratitude to the government and people of the Republic of Trinidad and Tobago for the excellent arrangements made for the hosting of this most important meeting."

Mexico Signs Cooperation Agreements With Caribbean Nations

PA1908042295 Mexico City NOTIMEX in Spanish 1058 GMT 18 Aug 95

[FBIS Translated Text] Port-of-Spain, 18 Aug (NOTIMEX) — Mexican Foreign Relations Secretary Miguel Angel Gurria has disclosed here that Mexico has signed cooperation agreements on educational, scientific, and cultural matters with the Caribbean nations of Barbados, Guyana, Grenada, and Jamaica.

The diplomat has said these agreements were reached at the bilateral meetings Mexican President Ernesto

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Zedillo held in private during the first day of activities in his fourth international tour.

Gurria has said the meetings held during the first summit of the chiefs of state and government who comprise the Association of Caribbean States (ACS) took place individually with the prime ministers of Barbados, Grenada, and Jamaica and the president of the Republic of Guyana.

He has said that in his meeting with Barbadian Prime Minister Owen Arthur, they decided the exchange will be on scientific and cultural cooperation matters, especially matters on the diversification of crops on the Caribbean island. Likewise, the possibility of training personnel in tourist and infrastructure matters, especially in promoting the Spanish language, was discussed at this meeting.

The Mexican foreign secretary said the need to extend the existing accord on scientific and technical matters to cultural matters was broached with Grenadian Prime Minister Keith Mitchell.

Meanwhile, Prime Minister Mitchell has asked Mexico to support his country in combating the plague attacking cocoa and other vegetables his country produces, which constitute the foundation of its exports.

In this regard, an emergency plan was agreed on by the Mexican Agriculture Secretariat and the Grenadian Agriculture Ministry to determine the immediate support that could be offered while the scope of the problem is being gauged.

Third, the Mexican president met with Jamaican Prime Minister Percival J. Patterson, with whom he pondered on the traditional exchange the two states have maintained in several fields for some time now.

Prime Minister Patterson and the chief of the Mexican executive branch agreed the binational Mexico-Jamaica meeting be held in September, but they failed to set the site of the event.

Zedillo later talked with his Guyanese counterpart, Cheddi B. Jagan, who asked Mexico to send technicians and teachers to develop certain areas of his country, especially the scientific area.

In this regard, it was agreed to promote cooperation accords on the matter, as well as on the educational and cultural fields.

Zedillo, Castro Hold Impromptu News Conference

PA1808184795 Mexico City XEW Television Network in Spanish 0430 GMT 18 Aug 95

[Report on news conference with Cuban President Fidel Castro and Mexican President Ernesto Zedillo, with unidentified reporters, by Guillermo Ortega from the "24 Hours" newscast — recorded]

[FBIS Translated Text] [Begin recording] [Ortega] Good evening, Mr. Zabludovsky. I am very pleased to greet you from Port of Spain in Trinidad and Tobago at 0030 hours local time, we must remember that we are two hours ahead of Mexico City time.

On Thursday, here in Port of Spain, the first Summit Meeting of Heads of State of the Association of Caribbean States [ACS] was inaugurated. As we mentioned yesterday, the ACS is an organization which was created less than one year ago in July 1994 that is celebrating its first summit meeting, that is, its highest level meeting. The ACS is an association which unites 25 nations, including Caribbean and Central American nations, as well as the so-called Group of Three, integrated by Mexico, Colombia, and Venezuela.

During the summit inauguration President Ernesto Zedillo spoke of what the Caribbean region means to Mexico.

[Zedillo] Mexico cannot, it must not look only toward the north. For equilibrium, because of its history, and volition, Mexico needs very close ties with a region with which its has affinities and affection — Latin America and the Caribbean, and especially, with the nations meeting in this generous city of Port of Spain.

[Ortega] This morning, the Mexican president had various bilateral meetings with different heads of state and government officials of the Caribbean Basin. He first met with the prime minister of Barbados, then with the prime minister of Grenada. Later, Zedillo met with the summit host, the prime minister of Trinidad and Tobago, the prime minister of Jamaica, the president of the Republic of Guyana, and finally with the prime minister of Dominique.

At noon, the Mexican president offered a dinner in honor of the leaders attending the summit. Afterwards, the inaugural session of the summit was held, then the first plenary session during which tourism was discussed. Tomorrow trade and transportation will be discussed during the morning and afternoon sessions. Afterward, the Mexican president offered a supper in honor of Cuban President Fidel Castro. In a gesture of friendship, President Zedillo invited reporters who accompanied him on this trip to greet President Castro

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and to share in drinking a toast to Mexican and Cuban friendship.

[Zedillo] You are invited to a little tequila, gentlemen of the press, to drink a toast for Cuba and Mexico. You too, gentlemen of the press, our friends, do come in.

[Ortega] We had the opportunity to exchange some ideas with Fidel Castro Ruz. Some of the things said are recorded here. Specifically, the reply given by Castro to the question regarding whether he sees, in the near future, the possibility of sitting down to drink a toast with a President of the United States, such as occurred tonight with the president of Mexico.

[Unidentified woman reporter] President Castro, will you be able some day to drink a toast as you did now with President Zedillo, with a President of the United States? Do you believe that moment could arrive?

[Castro] That depends on many things. It would not be impossible. If not with me, with someone in the generations which follow mine, which are at least two generations. Yes, someday yes. Listen, they have toasted with worse people than us. [laughter]

[Unidentified woman reporter] Since [words indistinct] in dress suit this evening, I would like to ask you a [word indistinct] question: what possibilities do you see for the current guerrilla movements in those countries.

[Castro] I already told you were asking trick [tramposas] questions.

[Unidentified reporter] That is the first question I have made.

[Castro] I have talked about that issue. [indistinct words] Since 1985 [word indistinct] very important issues which had to do with freedom [indistinct word]. But since I said that many things have changed. [words indistinct] I think that first of all we had to [words indistinct]

[Zedillo] This morning I said that although it is true that Mexico has made significant trade agreements for our economy with other countries, it must be clear that Mexico is not only looking toward the north, which has been confirmed historically, by the relationship Mexico has maintained with Cuba, despite the great pressure which you are aware was exerted on Mexico. I believe that if any country can certify the independence and strength of its principles and the application of these principles to its foreign policy, in that regard, it is Mexico, whose strategy of greater rapprochement with the Caribbean nations, is fundamental in its strategy of diversification, reaffirmation of Mexico's sovereignty, and a continuation of the principles which have always guided our policy. I would like to say that it pleases me to see Cuba at this table. This is evidence that despite the obstacles, things are changing. A few years ago it would have been every difficult — would it not Mr. President? — to see Cuba seated, not because Cuba wanted it that way, but because of the will and the circumstances of other third countries, at a table such as that at which we sat today. It is very satisfying. I have had the pleasure during recent years as secretary and as minister to have attended the Ibero-American summits, and now to be in this meeting as to see President Castro.

[Unidentified reporter] President Zedillo, in your speech yesterday you said ...

[Castro, interrupting] [indistinct words] that justice does not sacrifice freedom. [laughter]

[Zedillo] Well, let's go have supper. Thank you, thank you.

[Ortega] After supper, President Zedillo retired to rest to be ready to renew activities early tomorrow morning. As I have said there are two sessions scheduled, one in the morning, another in the afternoon. At the conclusion of these working sessions, the presidents will sign a joint declaration and will reveal the action plan to launch the Caribbean Basin region. This is the report we have for tonight for "24 Hours," Mr. Zabludovksy. Good night. [end recording]

Castro, Caldera, Zedillo Hold Bilateral Meetings

PA1908160295 Madrid EFE in Spanish
1559 GMT 18 Aug 95

[Report by Agustin de Gracia]

[FBIS Translated Text] Port of Spain, 18 Aug (EFE) — The presidents who attend the Association of Caribbean States [ACS] summit have used the occasion to hold bilateral meetings, and these have brought even Cuban President Fidel Castro face to face with Venezuelan President Rafael Caldera.

Caldera and Castro, who have maintained distant personal relations, met last night at a hotel in the capital of Trinidad and Tobago, where the ACS talks are being held. The two-day ACS summit began yesterday and it is the first summit since the organization was created in July 1994.

Cuban delegation sources told EFE the meeting between the Cuban and Venezuelan leaders was frank and the two heads of state, former political rivals, "have improved their relationship."

"The meeting was cordial," the Cuban leader said upon conclusion of the interview.

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Castro, 70 years, said he was impressed with the good health of Caldera, 79 years; adding he soon expected to sign investment accords with members of the ACS, which is comprised of the Central American and Caribbean nations, as well as Mexico, Venezuela, and Colombia.

The Cuban and Venezuelan heads of state are among the leaders of six Caribbean Basin countries who attend the ACS summit, along with Mexican President Ernesto Zedillo, Nicaraguan President Violeta de Chamorro, Surinamese President Ronald Venetiaan, Guyanese President Cheddi Jagan, as well as 12 prime ministers from the region.

In addition to the interview with Caldera, the Cuban leader dined in private with Zedillo last night, but the details of the meeting were not revealed.

The president of that country today had breakfast with the Venezuelan president and Colombian Foreign Minister Rodrigo Pardo.

Mexican delegation sources told EFE the meeting between Mexican, Colombian, and Venezuelan heads of mission does not represent an attempt to define joint positions as the Group of Three — which is comprised of these three nations — against the other ACS members.

In fact, Mexico considers the Caribbean organization is the best "tool" for a series of contacts with nations in the region, started by the Group of Three countries with Caribbean countries in 1993.

The Group of Three, which signed a free trade agreement that was implemented in January 1995, includes the most economically powerful ACS member nations.

Mexico, in particular, considers the initiative for the region's economic integration as vital to maintain its strategic position in the area.

In a lunch offered by Zedillo on Thursday to the heads of the Caribbean Common Market (Caricom) delegations, the Mexican president said the Caribbean "has a priority place in Mexico's foreign policy and a well-defined space in its trade policy."

Out of all these countries, only Mexico is a member of the North American Free Trade Agreement (NAFTA), which also includes the United States and Canada, a market of 370 million inhabitants.

This tie does not imply the Mexican Government will rule out the possibility of joining other markets in the region, including the Caribbean Basin market, which includes 200 million people.

"Mexico should not stay out of this market, nor does it want to," Zedillo asserted to the Caricom countries.

The ACS summit, which concludes today, seeks to establish the groundwork for the organization's future actions and agree upon the guidelines for three issues that are vital for the region: Trade, transportation, and tourism.

Cuba's Castro: Blaming Region for Drug Problems 'Unfair'

FL1808213795 Bridgetown CANA in English 2034 GMT 18 Aug 95

[By Linda Hutchinson]

[FBIS Transcribed Text] Port-of-Spain, Trinidad, Aug 18, CANA — Cuban leader Dr. Fidel Castro on Friday admitted that the disintegration of the Soviet Union had been "a terrible blow" to Havana, but said his country was rising from the ashes. In an address to Trinidad and Tobago's businessmen, Castro indicated the collapse of the Communist world had hurt Cuba's health and educational systems and put pressure on the island's stability. He said Cuba had a good trade with the Soviet Union and the disintegration caused Havana to lose more than 70 per cent of its imports.

"...Try to think what it is to sustain education and health, what it is to keep the country going stable," he told the businessmen gathered at the Trinidad Hilton hotel. "...After such a terrible blow...," he added, "we were like the phoenix, to raise ourselves from the ashes."

Castro arrived here Thursday to attend a summit of the Association of Caribbean States (ACS), a grouping of two dozen Caribbean and Latin American nations. Their two-day summit, focusing on trade, transportation and tourism, ends Friday.

During Friday's luncheon held in his honour by the Caribbean Insurance Company Limited, Castro painted an at-times drab picture of the international environment, but held out hope for Third World nations. He said it was an era of uncertainty, with a constant threat of economic war and great injustices.

"We find ourselves in a world where there is no balance, there is disarray," he said. "You see it every day in the news. There is talk about a new international order, but from our point of view seldom is there discussion about this new order, but quite often they impose their ideas...."

He also said the Caribbean was witnessing an "unfair situation" where some governments were being blamed for drug trafficking, while consumers in the United States were not being jailed. He praised Caribbean

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nations and said he felt "a great sense of solidarity" with them. "We, Caribbean people, have proven that we are not pessimistic but optimistic," he said.

"We work to unite ourselves, to try to develop tourism, to foster trade and develop transportation links....

"We, Caribbean people, are then thinking a lot about what we should do. We are adopting ideas, reaching resolutions...."

He said he felt "great appreciation for Caribbean nations" and "a great sense of solidarity, affection and confidence in you".

Cartagena Agreement Board Head on Delay in Mercosur Accord

PA1908040295 Madrid EFE in Spanish 1536 GMT 17 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 17 Aug (EFE) — Maria Teresa Tehembaum de Reategui, trade director of the Cartagena Agreement Board (Junac), said today the delay by the Common Market of the South (Mercosur) in meeting the deadline for a free trade agreement with Andean Pact countries will hinder the signing of an accord this year.

In Santa Fe de Bogota, Tehembaum de Reategui said "it will be hard to comply with the December deadline", given the planned third bilateral meeting has not taken place. "If Mercosur remains silent, as it has been up to now, and does not summon us to a third meeting, we will not be able to comply with the time limit," Tehembaum de Reategui added.

The agreement between Mercosur (formed by Argentina, Brasil, Paraguay, and Uruguay) and the Andean Pact (formed by Bolivia, Colombia, Ecuador, Peru, and Venezuela) will create a vast free trade zone in South America.

Mauricio Reina, Colombian deputy foreign trade minister, has said the five Andean countries will agree next week at a new Andean technical meeting on a list of regional products that will not be included in the accord, in order to protect the national industries.

Tehembaum de Reategui said the agreement between Mercosur and the Andean Pact countries "should not cause trade traumas, because it will be implemented gradually." She added "the agreement will be on the development of a free trade zone within a 10-year period, and this does not mean that the whole market will be opened overnight and that tariffs will be reduced to zero."

Mexican Official on Chinese Nuclear Test, ACS Council

PA1808233095 Mexico City NOTIMEX in Spanish 0230 GMT 18 Aug 95

[FBIS Translated Text] Port-of-Spain, 17 Aug (NOTIMEX) — Mexico today regretted the nuclear test China conducted and proposed to the international community a moratorium by all the powers on these tests, Foreign Secretary Jose Angel Gurria Trevino said.

Gurria Trevino said that while the agreement to totally and permanently ban nuclear tests is signed — a commitment by all countries including those with nuclear capability at the latest by the end of 1996 — these tests should be done moderately.

The official noted that the nuclear test China conducted yesterday does not only contradict the spirit voiced by all the nuclear powers in that respect but also undermines the text signed by all the nations of the world.

Gurria Trevino said that this second nuclear test by China — the first was on 15 May — took place when Mexico had just applauded the U.S. decision to suspend nuclear tests and not to conduct even low intensity ones.

The official noted that the decision by Washington that had been considered a significant motivation for the rest of the nuclear tests was diminished by China's attitude.

The foreign secretary noted that while France is debating whether to begin or leave on hold a series of nuclear tests in September news are received on the Chinese tests.

In another context, Gurria Trevino announced that based on a proposal by Cuba that had the support of Venezuela and Jamaica, Mexico was today chosen as the country to preside over the Council of Ministers of the Association of Caribbean States [ACS].

He added that the selection had been made after the association had legally come into force, upon arriving to the 17th ratification of the organization, and approved by more then two-third plus one votes of the 25 countries members of the association.

Simon Molina Duarte from Venezuela was elected as secretary general of the ACS, while Trinidad and Tobago was designated as the association's headquarters. A next meeting was summoned to take place in Guatemala during the month of November where administrative, financial, and budget issues will be analyzed.

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Cuba

Foreign Ministry Official on U.S. Policy

PA1908043295 Havana Radio Havana Cuba in Spanish 0000 GMT 19 Aug 95

[Report on interview with Rafael Dausa, director of the U.S. policy office at the Cuban Foreign Ministry, by Marianela Samper; from the "Evening Information Review" newscast; date and place not given — recorded]

[FBIS Translated Text] [Samper] A year ago, the U.S. Government introduced changes to its Cuban migration policy. President William Clinton decreed drastic measures as a result of the so-called rafters crisis, which included limiting the Havana-Miami flights for Cubans traveling as legal immigrants to the United States; prohibiting the Cuban-Americans residing in that country from sending remittances to their relatives on the island; increasing its daily radio and television hours of broadcast to our national territory; and presenting a request to the United Nations to condemn the Cuban revolution. Today, 365 days have elapsed, and the measures that were pushed by the extreme rightist, reactionary sector of Miami, continue, against all logic and morality. Let us listen to the opinion of Rafael Dausa, analysis director of U.S. policy at the Cuban Foreign Ministry.

[Begin Dausa recording] I believe the United States should reflect on its measures and policy toward Cuba. In this reflection, I believe it should review and withdraw those sanctions. However, I do not believe this should be limited to those sanctions. If it is really interested in changing its policy toward Cuba, one of the things it should review and reconsider is the issue of the blockade. The inhumane blockade is, without a doubt, a violation of the human rights of the entire Cuban population. I believe this is an important issue, and if the Clinton administration really has any interest in reconsidering, redesigning its policy toward Cuba, it should be reviewed.

I believe that several of the measures taken on 20 August, which have already been mentioned here, such as the banning of trips and sending of remittances to Cuba, have undoubtably punished the Cuban-Americans. I believe that not only have those measures violated the human rights of the Cuban people who reside in the country but also those of the Cuban-Americans who live in the United States and could not help their relatives economically. Nevertheless, I believe the Cuban-Americans have found ways to send their funds and to travel to the country. This only lends strength to my argument that the measures are absurd. [end recording]

[Samper] Throughout this year, several of the threats we have received were that the blockade would be increased and that charges against the Cuban revolution would be presented at the United Nations. We have seen that, well, Cuba sat at the negotiations table to discuss with the United States the situation that arose from the so-called rafters crisis. Subsequently, Cuba has begun new relations with other countries in the world, it has opened bilateral relations with other countries. When the International Havana Fair was announced, not only did businessmen and merchants from many countries express their interest in attending the event and finding out about the possibilities Cuba had to offer, but even North Americans, who had come to the country, were interested and even requested to sign letters of intent to negotiate with Cuba. Immersed in this context, the Caribbean summit to promote integration is being held these days, and Cuba is present at this event, as it is rightly entitled to do so.

[Begin Dausa recording] To be fair, I believe the idea of the internationalization of the blockade really stems from the ultra-rightist sectors of the Cuban community in the United States. The specific individual who has promoted this idea in an obsessive manner, without success, is anti-Cuban Congressman Diaz-Balart. This congressman has tried to sell this idea for two consecutive years, but the idea has been a fiasco. It was even initially included in the Helms-Burton bill. It was taken out of the bill, because it did not get much backing. This is a heavy defeat for the anti-Cuban interests that attempted to internationalize or to get the U.S. President to engage in the task of internationalizing the blockade, when, as a general rule, the voting at the United Nations has shown that the world rejects the U.S. (?thinking). It is crazy to attempt to internationalize the blockade. Fortunately, I believe the idea has been rejected, at least for the time being.

I believe that we also have to see...[pauses] you also mentioned the issue of the talks, and I believe that this is true. During the past year, that is, starting in 1994, at the end of 1994, in September 1994, Cuba and the United States reached a migration agreement. The compliance with this agreement has undoubtably been satisfactory. Both parties have stated this. The North Americans are satisfied with our compliance and we are satisfied with the compliance of the North Americans.

I believe this has almost normalized the migration relations between Cuba and the United States. I say almost because there are still a few issues that are pending and are undoubtably influencing the issue. The first issue that I must mention in this respect is that the U.S. blockade against our country is continuing. The talks, as I have told you, took place in September, and

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subsequently, we held several more rounds of talks. Such efforts reached a distinctive moment in 1995, with the joint declaration to [word indistinct] broadened the migration agreements. I also believe this joint declaration was an important step in the normalization of the migration relations. However, we must point out that the migration issue is a specific one. It is an issue in which we have made substantial advances and that has allowed us to really normalize our relations a great deal. This is not the case with other issues. [end recording]

[Samper] Recently, while extreme rightist sectors are dreaming of strengthening the blockade against Cuba to erase us from the face of the earth, there is another internal group that is attempting to destroy our country with the implementation of Track Two of the Torricelli Law. The Cuban Foreign Ministry official also commented on this issue.

[Begin Dausa recording] I personally believe that Track Two is a euphemism that is trying to hide the truth of the real policy that lies behind the mask of cultural exchange and humanitarian aid. Now, the first thing we have to say is that this Track Two [previous two words in English] does not eliminate track one [previous two words in English]. This means that this Track Two does not eliminate track one, which is the blockade, the inhumane policy, the big-stick policy. Thus, when a Track Two is mentioned it is because the existence of a track one is presupposed. Furthermore, I believe it is good to point out that Track Two is a track that [word indistinct] an exchange between the two sides. However, the North Americans interpret this exchange to mean that they will favor us in determined and very specific areas, mainly, in the social sciences and by giving humanitarian aid to specific, small, dissident, counterrevolutionary and this type of [word indistinct] groups.

However, this Track Two does not even consider a true exchange in which you give and I give. It does not include or does not stress aspects that could interest us more. For example, the exchange of scientific information in fields such as agriculture, cybernetics, medicine, and so on. It is a very directed track, and fundamentally, it is from over there to over here, from them to us. The U.S. policy toward Cuba is really just a blockade, a big stick, and subversion. [end recording]

Panel Discusses Nuccio, U.S. Policy

FL2008210795 Havana Radio Rebelde Network in Spanish 1600 GMT 17 Aug 95

["Straight Talk" program with host Osvaldo Rodriguez and guests Renato Recio and Eloy Concepcion, both from TRABAJADORES]

[FBIS Translated Text] The three-pronged U.S. policy on Cuba is the issue we will discuss with Renato Recio and Eloy Concepcion. Comrades, we have here an interview with Richard Nuccio, special adviser to the President and secretary of state for Cuban affairs, published by the WASHINGTON TIMES. This fellow has clearly explained the Cuban policy he supports within the U.S. Government, and the U.S. Government's intentions toward Cuba.

[Recio] As you were saying, this fellow describes the three-pronged policy towards Cuba. Even though he was just recently named, Nuccio was actually author of the Torricelli Law. He was practically the intellectual creator of the law, which is still in force today. It strengthened the blockade against Cuba and created the proper conditions so that today Nuccio can describe his government's policies. As he said, it is three-pronged. The first prong is the blockade. He calls it an embargo, but we know that calling it an embargo is a euphemism. He boasts about its being the most comprehensive embargo applied by the United States against any country anywhere in the world. He says this with a certain pride. That is the first prong.

He likes to refer to the second prong as aid to the Cuban people. What kind of aid is that? They are choking us to death with their aid! He refers to that second prong as humanitarian donations, open communications, and cultural exchanges. Is that what he calls aiding the Cuban people?

[Rodriguez] Yeah right: They deny us aspirin, but they give us a headache!

[Recio] That's a good way of putting it. I am going to read exactly what he says about the U.S. policy's third prong: In the law calling for democracy in Cuba — the Torricelli Law — there is a phrase which says that the United States should be ready to respond in a positive and well-planned manner to positive occurrences that might take place in Cuba. With regard to this phrase, I think it would be good to analyze what the U.S. Government considers positive occurrences. Also, what changes do they think should take place in Cuba before they reduce the blockade's intensity?

[Concepcion] Without a doubt, Nuccio has done the Cuban people a great favor.

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[Rodriguez] What? How can you say that? He is trying to choke us to death!

[Concepcion] Yes, a great favor because he has clearly reiterated — with the distortion that characterizes them — their century-old policy against Cuba. It is something intrinsic with their conception of Cuba and what Cuba means to them, within what they call their national security. The Cold War ended, but they still think that Cuba is a part to be fit into their so-called national security. That is why I say he has done us a great favor. He has done us a great favor because he has clearly expressed his ideas. Once again they have ratified their ideas. Over the last few months, there had been certain signs and signals from the United States and from people here in Cuba who thought that after the signing of the immigration agreement on 2 May, relations could begin to progress in an acceptable manner. Now Nuccio has clarified the issue, as Renato said, in the three-prong policy. I would like to talk about the second prong, which he mentioned, the so-called humanitarian aid, and about the reform they say Cuba should implement before they will take measures regarding the blockade. They say that first Cuba has to implement political reforms and then they will begin to discuss the blockade issue.

[Recio] But they will not take effective measures. We understand the message they are sending to be as follows: The blockade will continue for centuries until Cuba has the political and economic system we desire.

[Rodriguez] I would like to talk about any ties — if they exist — between Nuccio and those two fellows — Helms and Burton — who are trying to get a law approved in Congress to strengthen the blockade against Cuba. I would like you to talk about that.

[Concepcion] Yes, Osvaldo, they do have certain things in common. Their goals are similar; what Nuccio and the Helms-Burton Law call for is similar. He even mentions that the current U.S. Administration opposes only certain aspects of the law, having to do with its form. He points out the aspect of the law — referring to trade — that penalizes third countries. He mentions the cost-profit problem: From an economic point of view, the United States does not benefit from implementation of the measures outlined in the law, but they do agree with the rest of the law. As Renato pointed out, when Cuba becomes democratic — according to their concept of democracy — and implements all the political reforms they demand, then and only then will ...

[Recio, interrupting] Let me translate all those phrases they use: when Cuba again becomes a neo-colony.

[Concepcion] Exactly. Then they would create — a right they give themselves — a board of directors [consejo de administracion] which would then study ....[changes thought] All nationalized properties would be returned to the people from whom they were taken. Then they would analyze the blockade.

[Recio] It's the same dog, but wearing a different collar! I think that is very evident. I agree with Eloy: It is a favor to the Cuban people. When they speak so straightforwardly — without blatantly saying so — as a supreme empire, owners of the earth, they give themselves the right to tell Cuba what it must do. Cuba does not want to accept this. What future would any country have if its policies and future were dictated by a foreign country? This man, Nuccio, is boasting about using... [pauses] recommending a creative, intelligent policy, containing changes.

[Rodriguez] I would say that in parts of the interview, Nuccio seems to be more the president than just someone recommending policies. There is a part where the reporter asks if the White House leans toward lifting the blockade, to which he answers: Not while I have that job.

[Concepcion] There is a problem here. I think that what Nuccio is insisting on — something that could be called quote, new — are two very important things, and the Cuban people should understand them very well: First, they are supposedly trying to distance themselves from the Cuban American National Foundation, those extremists. I insist that they are trying to distance themselves because as Nuccio clearly says: he has many friends and was involved in the Torricelli Law [as heard]. The second important thing is: They are going to continue trying to destroy the Cuban Revolution from within, and will strengthen the blockade.

[Recio] That's the infamous second prong.

[Concepcion] That is what I think is important. Destroying it from within with humanitarian aid, so-called scientific personalities exchanges, and others. In that way, the United States would be taking on an image — within Cuba — of helping the Cuban people.

[Recio] I would like to read part of what this man says: There is a change in the policy. We are going to design Cuban policy based on what has been happening in and around Cuba. We will not concentrate in such a resolute manner on making policy according to the criteria and perspectives of the Cuban-American community.

[Rodriguez] The interview reveals the current confusion within the Cuban-American community, especially among its extremists regarding Nuccio's stance. With regard to this, Nuccio wants to set the record straight.

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In a direct reference to this confusion, he says it will take people some time to decide on whom they can depend regarding Cuban policies. Full of self-sufficiency, he reaffirms: I am that person.

[Concepcion] Yes, he has the idea he is an omnipotent minister for the colonies, and wishes to impose this on the Cuban people. Not only impose it on the Cuban people, as he points out to the Cuban-American community — including the extremists, mafia, and fascists within that community — but that he will not need the community's approval to do what we think is important for, and should be done in Cuba.

[Rodriguez] He is speaking of the United States. He does not want the community's aid...

[Recio, interrupting] That is why he has done us a favor. You mentioned his title — special adviser to President Clinton and secretary of state for Cuban Affairs. I think a good title for Richard Nuccio is minister for the colonies, an outdated, stupid title.

[Concepcion] That is the post he would like to have someday, but that someday will never come. That is for sure.

[Rodriguez] Especially in connection with Cuba.

[Concepcion] Right. He might get such a post in some other territory where he might fulfill his vocation.

[Recio] Or he might be an appropriate colonial minister over that recalcitrant [Miami exile] community.

[Rodriguez] However, it seems he does not see eye-to-eye with that community because he has a methodological conflict with it.

[Concepcion] I believe that what is important in warding off that colonial minister wannabe is, first of all, to not allow the so-called second track to hurt us. If they think they are going to infiltrate us, provoke mass corruption, and find propitious conditions here for destabilizing the country, I believe that what the Cuban people must do — what we all must do — is remain alert to this, aware that this is the enemy's goal, and react appropriately, bearing in mind that we must always defend the Revolution on every front.

[Rodriguez] Without being tricked by words. That is the message I believe should reach our listeners.

Cuban Radio Suggests Summit Document Censures U.S. Blockade

FL1908132095 Havana Radio Rebelde Network in Spanish 2300 GMT 18 Aug 95

[From the "Exclusive" program]

[FBIS Translated Text] The recently concluded Association of Caribbean States [ACS] summit in Trinidad and Tobago indirectly censured the U.S. blockade of Cuba, describing it as a violation of the principles of international free trade. The pronouncement is contained in the five-page declaration of principles approved by the heads of state and government. The ninth point of the declaration states: We reaffirm our commitment to the principles consecrated in the agreement established by the World Trade Organization as the basis for the development of free trade among all nations. The declaration adds: We recognize the vital contribution that the increase in trade could represent for the economic development of our countries; therefore, we are opposed to all policies, measures, or actions that are contrary to these principles.

Castro Meets With Venezuelan, Mexican Presidents

PA1808232795 Havana PRENSA LATINA in Spanish 1156 GMT 18 Aug 95

[FBIS Translated Text] Port-of-Spain, 18 Aug (PL) — Because he arrived in the city last evening, to attend the first Association of Caribbean States (ACS) summit, Cuban President Fidel Castro has been very active outside and at the conference.

Just an hour after he arrived, the Antillean leader joined the conclave's debates and met later separately with the presidents of Venezuela, Rafael Caldera, and Mexico, Ernesto Zedillo.

After his meeting with his Venezuelan colleague, Fidel Castro held an animated conversation with a group of journalists from that South American country.

Shortly before meeting with Zedillo, both leaders offered an impromptu news conference, which reporters from both their countries attended.

Amid humorous phrases and commentaries, the leaders addressed such issues as Cuba's economic situation, regional integration, and other issues of the international situation.

President Zedillo referred to Cuba in a friendly tone and said he was very pleased with the island's presence at the ACS summit.

I believe, he said, that this is yet another sign that things are changing despite the obstacles.

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Today, the Cuban chief of state is scheduled to meet with an important group of businessmen from Trinidad and Tobago and other countries in the region.

Castro 'Impressed' With Caldera, Zedillo

PA2108012895 Havana PRENSA LATINA in Spanish 2051 GMT 20 Aug 95

[FBIS Translated Text] Port of Spain, 20 Aug (PL) — Cuban President Fidel Castro has profusely praised his Mexican counterpart, Ernesto Zedillo. Regarding his meeting with Venezuelan President Rafael Caldera, he said that it mirrored the two countries' will to develop good relations.

During a meeting with Cuban journalists in this capital shortly before returning to his island, the Cuban statesman referred to his meeting with Zedillo in the framework of the first summit of the recently created Association of Caribbean States [ACS].

He said the Mexican chief of state was very kind to invite him to a dinner, during which they placidly talked about various issues.

I was very pleasantly impressed by my meeting with Zedillo because of his seriousness and his unquestionable chivalrousness. He is a man who emanates decency, Fidel Castro stated.

He said that he also met with Venezuelan President Rafael Caldera in a friendly, cordial, and respectful environment.

The revolutionary leader said: In my opinion this meeting was constructive for Cuban-Venezuelan relations, and we are happy about it.

He explained that recently there were some misunderstandings and friction that does not suit either of the two countries. Fidel Castro noted that later, events mirrored the two countries' will to hold good relations. On both sides satisfactory actions were adopted and this helped the situation, he said.

During his stay in this capital to attend the ACS summit, Fidel Castro carried out intense activities in and out of the forum, including bilateral meetings with chiefs of state and other personalities.

Castro Addresses Trinidadian Businessmen

FL1908034095 Havana Radio Rebelde Network in Spanish 2300 GMT 18 Aug 95

[From the "Exclusive" program; passages within quotation marks Castro recording]

[FBIS Translated Text] Commander in Chief Fidel Castro complimented the Caribbean people on their spirit, warmth, and intelligence during an address to important Trinidadian businessmen on 18 August:

"We, the Caribbean people, are showing that we are optimists and not pessimists. We strive for unity and for the development of tourism, trade, transportation, and industry. You set a good example for those who are serious about developing industry: We passed many factories on the way into the city yesterday. The Caribbean is working. We are focusing on what must be done. We are embracing ideas, reaching agreements, and adopting resolutions. We may be small, suffering from the problems that we mentioned earlier, and not very powerful, but we have heart and intelligence."

President Fidel Castro also stressed Cuba's willingness to work with all Caribbean people and learn of their experiences:

"I wish to say from the bottom of my heart that I appreciate the Caribbean people deeply. I feel a great sense of solidarity, affection, and confidence in you. I am honored that you consider the Cuban people brothers and friends and members of the Caribbean world who are willing to work and cooperate with you."

Castro ended his address by inviting Trinidadian businessmen to Cuba and by saying that he was honored to have attended the Association of Caribbean States summit in Trinidad and Tobago.

Castro Calls Caribbean Meeting 'Historic'

PA2108025395 Havana PRENSA LATINA in Spanish 2036 GMT 20 Aug 95

[By special correspondent Frank Gonzalez: "Fidel Castro Terms Caribbean Summit Historic"]

[FBIS Translated Text] Port of Spain, 20 Aug (PL) — Cuban President Fidel Castro said here that the results of the recently concluded summit of the Association of Caribbean States [ACS] are beyond expectation and termed the summit historic.

During a conversation with Cuban journalists shortly before returning to Havana, the chief of state said he feels very proud of being from the Caribbean.

He pointed out the integrationist spirit that has prevailed for a long time among the English-speaking nations of the region that belong to Caricom [Caribbean Common Market] — nations to which he is especially grateful because of their standing friendly position toward Cuba.

Referring to the small English-speaking island states that belong to the ACS, Fidel Castro said it is fair that they receive some kind of preferential treatment because

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they are small, have few resources, and little economic development.

The Cuban president said the commercial preferences the European Union granted the banana from the Caribbean in the framework of the Lome Agreement do not harm the Central American countries because the islands' production is very small.

Regarding the world's current tendency toward a liberalization of trade and the elimination of the preferential treatment for underdeveloped nations, he said this is unfair.

In a global economy, how are small Third World countries going to be able to compete with monsters that control both capital and technology, Fidel Castro asked.

He also stated his concern over the rushed competition going on between underdeveloped countries trying to interest foreign investors because this competition leads those countries to make too many concessions. He also showed concern about the loss of benefits they might avoid through more careful negotiations.

It is a fact, he said, that our countries cannot do without foreign investments, but, he added, calm must prevail in negotiations aimed at attracting foreign capital to avoid ceding too much.

The president spoke about the political meaning of Cuba's presence in the ACS, to which the island can significantly contribute because of development reached in various economic and social sectors.

The Cuban leader referred to the separate meetings he held in Port of Spain with Mexican President Ernesto Zedillo and with Venezuelan President Rafael Caldera.

Regarding Zedillo, Fidel Castro said he "is a man that emanates decency" and of whom he has a good impression because he is serious and unquestionably chivalrous.

Regarding his dialogue with Caldera, he said it was a cordial, friendly, respectful, and very useful meeting that mirrors the two countries' will to develop good relations.

Regarding the summit, he explained that a new style of debates was implemented, with the chiefs of state speaking as the debates prospered.

This was not a meeting of speeches, but of exchanges, Fidel Castro said. He stated his satisfaction with the way in which the presidents dedicated themselves to the objectives of the meeting.

Shortly before his talk with the media, the revolutionary leader was decorated by the Petroleum Workers Union with the Labor Star, the most important decoration that organization grants to persons with exceptional merits in the labor sector struggle.

The presence of the leader of the Cuban Revolution in the capital of Trinidad and Tobago was an event met with respect and admiration by the country's media, which followed closely all his activities.

The people of this Caribbean nation received him as a very dear friend. In the opinion of one of the officials of the media center created for the summit, the Cuban leader is viewed as a hero who is deeply loved because of all he has done.

Castro Reports on Trade With Trinidad and Tobago

PA2108024895 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 21 Aug 95

[FBIS Translated Text] President Fidel Castro held a dialogue with the Cuban media that covered the first summit of the Association of Caribbean States.

Shortly before leaving Trinidad and Tobago, the leader of the Cuban Revolution touched on various aspects of the summit, which was dedicated to tourism, commerce, and transportation.

[Begin Castro recording] There are many real possibilities. We can sell a little bit here and a little bit there in smaller or larger markets.

We export steel — in small amounts, of course — construction steel. From Trinidad and Tobago we import urea for agriculture. That country is the world's second largest exporter of ammonia and we need ammonia. [end recording]

Ricardo Alarcon Hails Caribbean Integration

PA1908131995 Havana PRENSA LATINA in Spanish 1420 GMT 17 Aug 95

[Report by Jose Dos Santos]

[FBIS Translated Text] Havana, 17 Apr (PL) — Due to its past history, validity, and perspectives, Cuban Parliament President Ricardo Alarcon said he viewed the entry of his country to the concert of Caribbean nations and the future regional integration with optimism and confidence.

Alarcon told PRENSA LATINA that there has always been an attitude of respect and recognition for diversity in the Caribbean because it is the essence of its culture and its mentality.

He praised the region's prevalent stand of unity in diversity as part of the values of Caribbean integration.

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This stance initiates a new phase with the summit that started in Trinidad and Tobago today.

"We are all multiform and multicolor societies and the Caribbean as a whole is also like that," he stated, after asserting that "there have never been any homogenization attempts or efforts to impose rules on one another."

The roots of its cordial and respectful relations with Cuba are deep and continue intact throughout time, the Cuban politician added.

The events at the Port of Spain meeting are followed with great interest due to the ties between this group of nations and the possibilities it affords in the furtherance of the integration process. The first steps on the road to integration were given precisely in Port of Spain where the Chaguaramas Pact, which created the Caribbean community, was signed in 1973.

He recalled that Cuba was present at that important event and was represented by then Cuban Foreign Minister Raul Roa, who was accompanied by Alarcon.

Alarcon underscored that the Caribbean states have always viewed Cuba as an inseparable part of their surroundings and that Eric Williams, prime minister of Trinidad and Tobago from 1956 to 1981, had defined this very well when he said that the Caribbean starts in Cuba and goes up to the eastern part of that sea.

This process commenced in the 1960's, with the independence of Jamaica, Trinidad and Tobago, Guyana, and Barbados, the current National Assembly president observed. Alarcon remained in Cuba currently, to attend the final debate on the foreign investment law, which is to be promulgated shortly.

From the start, the official insisted, the Caribbean had the concept and the objective of working to achieve regional consensus, unity, and integration; an advancement process that has received a very important boost with the Association of Caribbean States.

The Caribbean states, he added, were important since they appeared, to break the attempts to impose an isolation policy against Cuba.

When those countries reached their independence and entered the regional mechanisms they did not allow isolation policies to be imposed. At that time, he said, there was an express prohibition to maintain relations with Cuba.

As an example, Alarcon mentioned that Jamaica had conditioned its entry to the OAS to the fact that no one attempt to broach the issue, which was exclusive to its sovereignty, of its relations with Cuba.

Due to its history and development, Alarcon was confident that historically important steps for the future of the region called the Caribbean would be given today.

Commentary on Puerto Rico's Absence From Caribbean Summit

PA1908204095 Havana Radio Havana Cuba in Spanish 0000 GMT 18 Aug 95

[Roberto Morejon commentary; from the "Evening Information Review" newscast]

[FBIS Translated Text] The United States has extended to the Caribbean area its anti-Cuban obsession by vetoing the entry to the ACS [Association of Caribbean States] of two territories over which it maintains different controls: The Virgin Islands and Puerto Rico.

In an attempt to boycott the ACS, even in its early stages, Washington opposed the incorporation of the above two countries, in spite of the common ties of Puerto Rico and the Virgin Island with their neighbors from the Caribbean basin. With this irrational attitude, typical of the bygone Cold War ear, the United States is not only dealing a blow to the economies of Puerto Rico and the Virgin Islands, capable of joining the incipient ACS, but also erecting impediments to the growth of said group of nations.

Caribbean authorities, politicians, and observers present at the ACS summit, in Trinidad and Tobago, agree that the United States rejects the presence of Cuba in the new regional organization. According to the North American line of thought, the Caribbean must observe the U.S. blockade against Cuba, especially at a time Congress is discussing a draft bill to tighten the blockade and White House official advocate the keeping of the so-called Torricelli Law.

In the case of the latter, several government officials are inclined to apply their so-called track two [carril dos], namely to penetrate the Cuban Revolution from within, through the exchange of journalists, academics, and other personalities, without renouncing the economic blockade.

For those who support the Helms-Burton Bill in the United States or the track two of the Torricelli Bill, the incorporation of Cuba to the ACS is inadmissible, as recognized by U.S. citizen Christopher Thomas, deputy OAS secretary general.

This position is in conflict with that of countries from the region, which see no problem in Cuba's full participation in the new organization. Venezuela's Simon Bolivar Duarte, candidate to the post of ACS secretary general, stated in Port of Spain, capital of

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Trinidad and Tobago, that Cuba is a country that has always been in the Caribbean, it will remain there, and is, therefore, a natural member of the Caribbean basin.

Also natural members of the Caribbean are Puerto Rico and the Virgin Islands, and as such, their neighbors would view favorably their incorporation into the ACS. However, this will not be possible given the U.S. reprisal to Cuba's acceptance in the association.

Haiti

Evans Paul: Talbott Plan Not in Keeping With Parties' Goals

PA1908024295 Port-au-Prince Signal FM Radio in French 1030 GMT 18 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] National Front for Change and Democracy [FNCD] spokesman Evans Paul says the eight-point proposal presented by U.S. Deputy Secretary of State Strobe Talbott is not in keeping with the goals of the political parties. Evans Paul nevertheless showed more optimism and more flexibility with regrad to Mr. Talbott's position toward the elections of last June. Evans Paul is persisting in obstinately demanding the recomposition of the Provisional Electoral Council [CEP] and the resumption of the electoral process, which are, according to the FNCD spokesman, indispensable conditions for honest and credible elections guaranteeing the country's democratic future. The former mayor of the capital favors the formation of an assessment commission aimed at definitively resolving the post-electoral crisis.

[Begin Paul recording, in Creole] This time, Mr. Talbott has come with a little more flexibility, but with eight other points that we deem not yet in keeping with the objectives we are pursuing. We want balance within the CEP and an assessment commission that would analyze the problems arising from the 25 June elections and that could set right the discontent this situation has provoked in the country, especially within the political sector.

The FNCD's official position is that these elections are so bad that they should be completely annulled and new ones held. The FNCD agrees with the position expressed by some political parties that believe the CEP should be balanced. I think it is a realistic position and we really want to find a solution to the deadlock in the country caused by the electoral crisis. We should struggle to ensure the credibility of the electoral process. The FNCD is not waging a struggle — like people would like to say — to determine who will win and who will not. That will be decided by the people through their votes. But nobody has the right to mess with the people's votes. Everything must be clear. If somebody loses, he must lose under good conditions; if somebody wins, he must win under good conditions. [end recording]

Joseph: Lavalas Camp 'Not As Strong' as Believed

PA1908011795 Port-au-Prince Signal FM Radio in French 1030 GMT 18 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The Lavalas camp is not as strong on the field as they tend to make everyone believe. The low participation of the population in the run-off elections last Sunday is a testament to that. This was stated by former Deputy Antoine Joseph. The former president of the lower chamber thinks President Aristide should accept the results of the municipal elections and recompose the Provisional Electoral Council [CEP] with representatives of the political parties. This new CEP should hold elections for the senators and deputies, as well as the next presidential elections. This formula, according to the former Movement for the Establishment of Democracy in Haiti, can get the electoral process out of the abyss in which it is stuck. [passage omitted]

Police Arrest OPDH Leader Denis for Illegal Activities

PA1908040195 Port-au-Prince Radio Metropole in Creole 2000 GMT 18 Aug 95

[From "The 4 O'Clock Express" newscast]

[FBIS Translated Excerpt] On the afternoon of 18 August, the police arrested Carl Denis, leader of the Political Organization for Democracy in Haiti [OPDH], in a garage in Lalue. At the same time, another group of policemen went to search the OPDH leader's home in Petion-Ville where they discovered weapons.

According to interim police officer, Mr. Denis was arrested after former military had denounced steps he took to them to commit terrorist actions in the capital.

In a press conference they held today, the leaders of the Rally of Military Dismissed Without Reasons [Ramiresm] said they had denounced the OPDH leader in order to protect the former military. They also cited the names of some government members Mr. Carl Denis planned to eliminate.

Furthermore, the Ramiresm leaders informed that there are several former military who are collaborating with the OPDH leader. Let us listen to Ramiresm President Andre Armand.

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[Begin Armand recording] [passage omitted] Carl Denis gave us well-determined missions: To kill [benn] Rene Preval; to kill Major Medard; to kill the chief of police, Maj. Dany Toussaint; and then to kill the minister of the interior. When we do things like that, it is the [dismissed] military who will pay for their consequences. [passage omitted] [end recording]

Furthermore, the spokesman for the interim police, informs that they found two unauthorized weapons in Carl Denis' home. Lieutenant Jean-Lyonel Trecil says the police was conducting investigations on Mr. Denis for several weeks.

[Begin Trecil recording] Mr. Carl Denis made somewhat harsh statements about one month ago. Following these statements, the interim police was conducting investigations with its intelligence service. The interim police managed to get much information on actions Mr. Denis allegedly planned to commit in the next few days as he announced — by the way — in the statements he made for the month of August particularly.

The interim police continued to carry out its investigations and today — following the statements made by Ramiresm in its news conference during which Ramiresm said that Mr. Denis contacted them so they could organize terrorist actions and assassinate certain important personalities — the interim police did not waste time. It thought that one cannot play with such statements and it was shortly after these statements were made that the interim police organized actions that led to the arrest of Mr. Denis at the corner of Lalue and Martin Luther King Avenue.

At the same time, the interim police proceeded to search these premises where it found two illegal weapons, one Magnum gun and a rifle that was in the hands of an individual who is — very certainly — someone working for Mr. Denis. The interim police is carrying out other searches at this time notably in Mr. Denis' home so as to see if they cannot find again other weapon caches in his home. [sentence as heard] [passage omitted] [end recording]

We are recalling that yesterday Mr. Carl Denis participated in a demonstration the organization he is leading had staged, a demonstration which gathered seven people. This demonstration was designed to call for the cancellation of the elections and the release of the political prisoners.

Mayor Launches Projects To Give Port-au-Prince New Look

PA1908015895 Port-au-Prince Signal FM Radio in French 1030 GMT 18 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] Moving toward a new look for the Haitian capital. New Mayor Emmanuel Charlemagne has promised to get down to business. After the end of the construction on the drainage canals of La Saline, the mayor of Port-au-Prince has made repairing schools, communal homes, and community health centers his priorities. WIth the beginning of the new school season rapidly approaching, Mr. Emmanuel Charlemagne believes it is necessary to start working to reduce the number of children who are not going to school and are roaming the poverty-stricken streets and neighborhoods of Port-au-Prince.

Among the projects aimed at giving Port-au-Prince a new look, Mr. Emmanuel Charlemagne intends to tackle very soon the problem of the restaurants haphazardly built in the Champ-de-Mars area. Mr. Charlemagne has also announced his intention to pay the overdue salaries of certain employees of city hall, notably the communal school teachers, in return for tangible evidence that they have not been regularly remunerated.

As for transport vehicles, especially the trucks linking Port-au-Prince and the provincical cities, they will have to be provided with special permits to circulate on the streets of the capital, says the mayor of Port-au-Prince, explaining that bus stations are going to be built or remodeled, especially in Gressier, Titanyen, once that communal administration actually takes office.

According to Mr. Charlemagne, who has promised to rid the capital of the peddling markets and to alleviate the traffic jam problems, it will be a question of building a new open market with modern comforts and a parking lot that can accommodate 500 cars. It should be noted that to implement the measures the Port-au-Prince City Hall intends to take, the municipal council will be assisted by a municipal police, the creation of which Manno Charlemagne will announce very soon.

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PRI President, Secretary General Resign

PA1908211295 Mexico City NOTIMEX in Spanish 2020 GMT 19 Aug 95

[FBIS Translated Text] Mexico City, 19 Aug (NOTIMEX) — Maria de los Angeles Moreno Uriegas, president of the ruling Institutional Revolutionary Party (PRI) today tendered her resignation before the PRI National Political Council, which comprises 206 delegates.

Moreno, a 50-year-old economist, explained today that her resignation "has the objective of allowing a new leadership that has not undergone a systematic attrition refocus the participation of the PRI at the national level."

Also during the meeting, Pedro Joaquin Coldwell resigned as PRI secretary general. Maria de los Angeles Moreno and Pedro Joaquin Coldwell had held their posts since 3 December 1994.

Santiago Onate Laborde Appointed New PRI President

PA1908225095 Mexico City NOTIMEX in Spanish 2114 GMT 19 Aug 96

[FBIS Translated Text] Mexico City, 19 Aug (NOTIMEX) — Santiago Onate Laborde was appointed new president of the ruling Institutional Revolutionary Party (PRI) after the Political Council accepted the resignation of Maria de los Angeles Moreno.

Onate Laborde, a 46-year-old lawyer, is the labor and social welfare secretary in the cabinet of President Ernesto Zedillo. Onate Laborde must resign from his post to lead the PRI in this new phase of the country's political life.

The new PRI leader studied law at the National Autonomous University of Mexico (UNAM) and earned a masters degree of Economic Sciences at the London School of Economics and a doctorate degree in Legal Sociology at the University of Wisconsin. Also on Saturday, Juan Sigfrido Millan Lizarraga was appointed secretary general, replacing Pedro Joaquin Coldwell, who resigned along with Maria de los Angeles Moreno.

Among their most immediate tasks, the new PRI leaders must design the electoral strategy for the elections to be held in six states during the remainder of the year.

One of the most important elections will be held on 3 December in Michoacan State for the governorship, 18 local deputy seats, and 113 municipalities.

Other elections will be held to elect new local deputies and mayors in the states of Chiapas, Sinaloa, Puebla, Tamaulipas, and Tlaxcala.

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Belize

Election Commission Proposes Absentee Voting System

FL2108014895 Bridgetown CANA in English 1734 GMT 20 Aug 95

[FBIS Transcribed Text] Belize City, Aug 20, CANA — The Elections and Boundaries Commission of Belize (EBC) confirmed Saturday that it has proposed an absentee voting system to government. It would allow holders of Belizean passports to vote in national eletions here regardless of their legal place of residence.

As it now stands, to be included in the voters list, a Belizean must be resident within the 8,866 square-mile territory of Belize.

The issue of who can and cannot vote in Belizean elections is a controvesial one and the weekend editions of the opposition newspaper, The BELIZE TIMES and the country's weekly with the largest circulation, The AMANDALA, wasted no time in making headlines of the proposal. Both newspapers had heavy criticism for the proposal which was made last Thursday at a meeting of the five member EBC in Belize City.

The Chief Elections Officer Urban Reyes told Channel Five News Friday night that the debate is healthy and that the public should be aware of what has been proposed. Reyes said that the recommendations were made in an effort to incorporate, "disenfranchised voters" such as those who work outside of the constituency in which they are registered to vote, students studying abroad and the thousands of Belizean-Americans who "who would like to have a say in what happens in the country".

Reyes said the absentee voting system has worked well in Canada and the United States and contended it would be one way of increasing the voter turnout in elections.

Mindful of the potential for abuse, Reyes said the proposal was far from finalised.

He said the five-member EBC will be forwarding it to the Solicitor General Gian Ghandi for his recommendations after which it will be presented to both the ruling United Democratic Party (UDP) and the opposition People's United Party (PUP) for their consideration and recommendations.

The AMANDALA quoted Reyes as admitting that both political parties are already not happy with the commission's proposal and that nonetheless, it would be sent to Cabinet, "in preparation for presentation to the House of Representatives, if it so desired."

The BELIZE TIMES said the EBC was recommending that foreigners with permanent residency status would be allowed to vote under the scheme, and there would be overseas voting.

The EBC Chairman, attorney Lionel Welch told the AMANDALA that allegations that the Commission was endorsing the enactment of legislation to allow beneficiaries of the Citizenship Investment Programme (CIP) to vote in Belize's elections, "are untrue".

Belizean Faces Extradition to U.S. on Murder Charge

FL1808175395 Bridgetown CANA in English 1700 GMT 18 Aug 95

[FBIS Transcribed Text] Belize City, Belize, Aug 18, CANA — For the first time since Independence, a Belizean man could be extradited to the United States to answer a murder charge.

Attorney General Dean Barrow has signed an extradition order and proceedings are underway for the extradition of Michael Anthony Leslie who allegedly shot to death Los Angeles resident Francisco Velardo on September 4, 1993.

The extradition hearings began Thursday in Belize City's Magistrates Court Number Three before Chief Magistrate Adolph Lucas.

Leslie reportedly shot and killed a neighbour's dog and when the neighbor came out to investigate, shot the neighbor as well. He fled to Belize where detectives tracked him down.

Belize police picked up Leslie last Tuesday at his home in Burrel Boom, a quiet little village 17 miles outside of Belize City, but brought no charges against him.

He was held in police custody until his appearance before the Chief Magistrate Thursday.

According to US Agent Nathan Kibler who is in Belize to follow up on the case, the strength of the case lies heavily on sworn statements given by witnesses to the murder.

The case is being presented for the US by the Belizean Solicitor General Gian Ghandi who is also representing the Belizean Foreign Ministry.

Leslie's extradition, if successful, would be under a treaty that presently exists between the United States and Britain. Leslie is being represented by attorneys Bernard Q. Pitts and Ellis Arnold.

He has been remanded to the Hattieville prison and is to reappear in court next Tuesday.

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Honduras

Reina: Paris Club To Write Off Portion of Debt

PA2008042495 Tegucigalpa Telesistema Hondureno Television Network in Spanish 0100 GMT 16 Aug 95

[From the "This Very Day" newscast; passagages within quotations recorded —monitored in progress]

[FBIS Translated Text] ....jeopardizes the write-off of the Honduran debt with the Paris Club. President Carlos Roberto Reina had this to say on the matter:

[Reina] "I believe the Paris Club talks are not coming to a halt. This is a result of the country's image. The Paris Club will decide in favor of our country by writing off a large portion of a debt that is unfair for us in certain ways."

Opposition sectors have accused the administration of being manipulated by the international credit institutions, in view of the arrival of an IMF mission that is reviewing the progress of the economic program:

[Reina] "I believe Honduras meets the conditions of those organizations that provide financial aid and whose conditions are interrelated; that is, if you fail one of them, the others turn their back on you. [sentence as heard] Otherwise, we would forget about the negotiations with the Paris Club and many other things. I believe it is in Honduras' best interest to make use of those soft terms in order to avoid paying an overwhelming foreign debt with high interest."

Reina said former President Rafael Callejas may attend the meeting the four political parties will hold on 17 August. He also mentioned the topics that will be discussed in the second meeting of the National Convergence:

[Reina] "We will discuss the topics of poverty, disease, underdevelopment, education. In short, all the topics concerning the state must be addressed in this broad forum."

Reina said today he will study the Council of Ministers' decision to deduct one day's salary from public employees in order to create a fund to be used in the campaign to fight dengue fever. Reina said that the decision is not unconstitutional and that all Hondurans should not think this problem is solely the responsibility of the central government.

Nicaragua

Lacayo: Unconstitutionality Appeal No Surprise

PA2108000395 Managua LA PRENSA in Spanish 15 Aug 95 p 14

[By Roger Suarez M.]

[FBIS Translated Text] Presidency Minister Antonio Lacayo has affirmed that unconstitutionality appeals raised by government officials against portions of Law 192 should be no surprise to deputies because from the very beginning of the past negotiations between state branches, the parliamentary delegation agreed that the legality or not of some articles should be resolved through Supreme Court of Justice rulings.

Lacayo commented on a publication that yesterday announced there would be a new dispute between the executive and the legislative branches by saying: "At the first working session between the two delegations, the deputies agreed that Law 192 articles, which are a source of dispute, should be resolved through the Supreme Court of Justice."

Politicians and analysts believe the introduction of unconstitutionality appeals by 24 government officials reportedly is aimed at fabricating a new political situation that could lead to a new confrontation between the branches because of the ban.

Lacayo said the negotiations that concluded with the promulgation of the reforms took as basis an executive branch proposal that had four points, two of which were agreed on by the deputies, the minister said.

Minister Lacayo said the deputies said at that time they had no objection to the two points.

The first point of the executive proposal included reform articles the two branches of the state accepted as ready for publication. The other point proposed that some Law 192 articles should be resolved by the Supreme Court of Justice.

According to a 5 June 1995 datelined document sent by Lacayo and called Executive Branch Proposals, Article 147, which has to do with bans on presidential candidates, is one of the articles that must be analyzed by the Supreme Court of Justice.

According to the Presidency Minister the two delegations have been working on reform articles that need subordinate agreement to be implemented as well as on articles that have to be reviewed through political agreements.

The third secretary of the National Assembly, Luis Sanchez, was consulted on this issue this morning. He

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said the document Presidency Minister Antonio Lacayo mentions "is worthless. It is just one more page of the approximately 1,000 pages the government wasted presenting proposals."

Deputy Sanchez noted there is no small print in the agreements that snapped clear the institutional crisis the country endured in recent months. He said that "the two valid documents are those that were presented to the people as the 14 June Political Agreement and the 4 July Framework Law. Everything else is just rhetorics."

LA PRENSA this morning tried to contact Cardinal Obando to hear his point of view considering he was present during the talks but his office told us he has traveled to Costa Rica.

BARRICADA's Editorial: 'To Debate Is Not To Insult'

PA2108041095 Managua BARRICADA in Spanish 16 Aug 95 pp 1, 2

[Unattributed article: "A Necessary Clarification. To Debate Is Not To Insult"]

[FBIS Translated Text] The directorate of the newspaper **BARRICADA** has considered it necessary to make a clarification regarding our role as a Sandinist news media and the terms for debate on our editorial page.

First:

We aspire to promote through our editorial the free discussion of ideas and the creation of forgers and currents of opinion. Our **Opinions** page is available to all Nicaraguan citizens who want to express their points of view on topics of interest, whether political, economic, cultural, scientific, social, or of any other sort.

Second:

We hope that our editorial should become a privileged place for expressing Sandinists views in the broadest sense of the word, and in this direction, we of course aspire that our page become a space for active members of the Sandinist National Liberation Front [FSLN] to express themselves.

Third:

Our **Opinions** page does not discriminate against opinions on the basis of political or ideological reasons. We do not fear a wholesome debate of ideas; on the contrary, we encourage it and even provoke it. The only restrictions on the **Opinions** page are limited to space availability and respectful attitudes according to civilized standards in the wholesome debate of ideas.

Fourth:

BARRICADA is clearly against intolerant and disrespectful positions. On this occasion, we reject the public terms, which we consider unacceptable, in which the situation of the Movement of Mothers of Heroes and Martyrs of Matagalpa [Movimiento de Madres de Heroes y Martires de Matagalpa] has been discussed. Regarding Mrs. Esperanza de Cabrera's specific case, there is evidence of her honest course as a historical FSLN collaborator.

We believe that personal offenses and the misunderstood "settlement of accounts" are not and cannot be terms for debate or the appropriate procedure to resolve political contradictions.

For **BARRICADA**, all the mothers of heroes and martyrs deserve our deepest respect and affection.

The Directorate

Panama

President Calls Reforms First Step Against Unemployment

PA1808174095 Panama City LA ESTRELLA DE PANAMA in Spanish 16 Aug 95 p A10

[FBIS Translated Text] President Ernesto Perez Balladares has announced that the Labor Code reforms, approved on Sunday and published on Monday's GACETA OFICIAL, are the government's first step forward reducing the serious unemployment problem in the country.

"The new legislation is just an element of the package of initiatives aimed at reducing a situation that is hurting us nationwide: the serious problem of unemployment," the president said during the inauguration of the refurbishing of the Santiago Hospital in Veraguas Province.

Perez Balladares added that the source of employment must come from the private sector so the government may allocate its scarce available resources to social projects such as the repair and construction of a new wing in this hospital at a cost of 800,000 balboas.

Perez Balladares added that his administration demands that state ministers and directors of the state entities execute their respective operating budgets because "the best official is not the one who saves more money but the one who invests the best."

"The solution is not to stop executing projects, as seemed to be the program of the previous administration, but to carry them out in an efficient and, above all, honest manner. I do not want a list of works not carried out because of government red tape or savings due to government inefficiency," the president underscored.

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Perez Balladares also stated that the scarcity of funds forces the government to be austere, but when people die because of a lack of medical installations and services, "the savings cease to be a virtue and becomes a social crime."

The works inaugurated at the Santiago Hospital include the surgery wing equipped with six operating rooms, a modern sterilization room, a water tank with a 25,000-gallon capacity, and a central air conditioning unit.

Text of Law on Labor Code Reforms

PA2008211695 Panama City EL PANAMA AMERICA (ENTREGA ESPECIAL Supplement) in Spanish 15 Aug 95 pp E1-E3

[Text of Law 44 approved by the Panamanian Legislative Assembly on 12 August; passages within slantlines published in boldface]

[FBIS Translated Text] **Legislative Assembly**

Law 44

(12 August 1995)

"BY WHICH NORMS ARE STATED TO REGULATE AND MODERNIZE LABOR RELATIONS"

THE LEGISLATIVE ASSEMBLY

DECREES THE FOLLOWING:

Article 1. Article 1 of Cabinet Decree 252 of 1971 is hereby replaced as follows:

Article 1. This Code guides the relations between capital and labor based on social justice, as explained in the Political Constitution of the Republic, providing state protection for the benefit of workers. The State shall intervene to promote full employment, shall create the conditions necessary to ensure that each worker will have a decorous existence, and shall procure for the capital a compensation equal to its investment within the framework of a harmonious climate in the labor relations allowing a permanent growth in production.

Article 2. Subparagraph 8 of Article 12 of Cabinet Decree 252 of 1971 is hereby added as follows:

Article 12. The following rules will govern the prescription:

8. The action of requesting the declaration of imputability of the strike shall expire in three months starting the day after the date of its lifting.

Article 3. Article 22 of Cabinet Decree 252 of 1971 is hereby replaced as follows:

Article 22. The forming and operation of private employment agencies, with the object of making profits or not, is permitted as long as the worker who requests their services is not charged any fee whatsoever.

The Executive Branch shall guide the operations of these agencies taking into account the agreements with the International Labor Organization (ILO).

Universities and professional and technical schools, as well as the Labor Foundation, shall be able to create, without the object of making profits, employment agencies fomenting the employment of future professionals. These agencies shall pay special attention to the placement of graduates in order to facilitate professional and technical expertise to them.

Article 4. Subparagraph 1 of Article 39 of Cabinet Decree 252 of 1971 is hereby modified as follows:

Article 39. All employers are committed to pay their workers the period of normal rest they need to restore their strength according to the following rules:

1. The working day shall have a break of no less than half an hour and no more than two hours. However, in the case of night or mixed shifts, the employer and the worker could agree to distribute this break without exceeding the limits of the corresponding shift in order not to interrupt production.

Article 5. Article 54-A of Cabinet Decree 252 of 1971 is hereby added to read as follows:

Article 54-A. When the worker receives part of his wages in kind, according to what is stipulated in Article 144, the payment in kind or its equivalent in currency must be added to the payment of vacation in currency, according to what is stipulated in the aforementioned article.

If the worker's wages are in currency only, the payment of vacation shall be made in currency, according to what is stipulated in Article 54 of this Code.

Article 6. Article 59 of Cabinet Decree 252 of 1971 is hereby added the following paragraph:

Article 59...

In case vacation time is accumulated, the worker shall take a minimum rest period of 15 days, which shall be paid in the first period of vacation, and shall accumulate the other days for the second period of vacation.

Article 7. Article 60 of Cabinet Decree 252 of 1971 is hereby replaced as follows:

Article 60. Under penalty of being overruled, the employer shall not be able to initiate, adopt, or communicate to the worker any of the measures, sanctions, and actions provided in this Code during the time he remains disabled or enjoys his vacation. To this end, the

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terms of forfeiture and prescription are suspended during these periods.

Article 8. Article 67 of Cabinet Decree 252 of 1971 is hereby replaced as follows:

Article 67. The labor contract shall be a written contract; it shall be signed at the beginning of the working relation in three copies, one for each party. The company shall keep one copy, the worker shall be handed one at the time he signs, and the other copy shall be forwarded to the General Labor Directorate or to the regional directorates of the Labor and Social Welfare Ministry, which shall keep a daily log of all forwarded contracts.

The following contracts are exempted:

1. Agricultural work and stock-raising;

2. Domestic service;

3. Casual or provisional work that does not exceed three months;

4. A specific piece of work, the value of which does not exceed 200 balboas; and

5. Services and jobs that are contracted in communities not exceeding 1,500 inhabitants, unless the job involved is worth more than 5,000 balboas or employers who permanently employ more than 10 workers are involved.

In the case outlined in ordinal number 9 of the following article, a written contract shall be required. The General or Regional Labor Directorate shall have the authority to visit the establishments or working places in order to verify this guideline and impose sanctions ranging from 50 balboas to 200 balboas for repeated noncompliance.

Article 9. Article 75 of Cabinet Decree No. 252 of 1971 is hereby replaced, thus:

Article 75. The clause regarding the duration of a temporary contract may not be used to fill a permanent position temporarily, aside from cases excepted in this Code. A definite period of time will only be valid if it is expressly stated in a written contract, except in the cases mentioned in Article 67 or under any of the following circumstances:

1. When it is permitted by the nature of the work which constitutes the object of the service;

2. If it aims to provisionally substitute a worker on leave, vacation, or any other temporal impediment;

3. In the rest of the cases foreseen in this Code.

Violation of this article will determine that, with full rights, the employment relation will become an indefinite one.

Article 10. A paragraph is added to Article 76 of Cabinet Decree No. 252 of 1971, thus:

Article 76...

Notwithstanding the aforementioned, a contract for a specific work is subject to extension if the circumstances contemplated in Article 75 are met, in which case the contract will last until the end of the extension or the conclusion of the circumstances which motivated it.

Article 11. Article 77 of Cabinet Decree No. 252 of 1971, is hereby replaced, thus:

Article 77. An employment relationship is considered indefinite:

1. If at the end of a temporary contract, the worker continues to render service;

2. When it is a contract for a specific work, if the worker continues to perform the same tasks, after the work has been finished.

3. When successive temporary contracts or for a specific work are signed, or the agreement is adjusted to the nature of the service, or when due to the number of contracts or their total duration there is an intention to hide a permanent relationship.

Article 12. Add Article 77-A to 1971 Cabinet Decree 252, as follows:

Article 77-A. A succession of contracts will not be considered to exist in the following cases:

1. When it involves permanent occupations or posts required for the development of a new activity in the enterprise;

2. When it involves hirings carried out during the first year of activities by an employer, enterprise, or exploitation;

3. When it involves work modes approved by the Labor and Social Welfare Ministry, or agreed upon with the labor union.

In these cases, if the succession of contracts extends for more than two years, it is understood the contract is indefinite from the very beginning.

Article 13. Article 78 of 1971 Cabinet Decree 272 is hereby replaced as follows:

Article 78. When the rendering of a service demands a special ability or dexterity, the clause establishing a probation period of up to three months is valid, provided it is explicitly stated in the written labor contract. Any of the parties may consider the work

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relationship terminated during that period, without any responsibility.

The probationary pact will be invalid when the worker is hired to assume a post he previously assumed in the same enterprise.

Article 14. Article 107 of 1971 Cabinet Decree 252 is hereby replaced as follows:

Article 107. Any pregnant female employee will enjoy mandatory leave with pay that is equal to her job, six weeks before the date of birth and eight weeks afterwards. In no case will the leave be less than 14 weeks but, if there is any delay in the birth, the worker will have the right to be granted eight weeks leave with pay after that date.

The employer will pay the difference between the economic subsidy granted by the Social Security Fund for maternity leave and the retribution that corresponds to the pregnant worker, according to this article.

When the Social Security Fund is not under an obligation to pay the maternity subsidy, the obligation indicated in this article will correspond entirely to the employer.

The Executive Branch is authorized to issue regulations for the implementation of this article, establishing leave periods that are longer than those established, in activities and jobs that require it due to their nature. In these cases, what is foreseen in the two preceding paragraphs will also apply.

During the leave period stated in this article the employer cannot initiate, adopt, or notify the worker any of the measures, sanctions, and actions foreseen in this code, under penalty of annulment. For this purpose, the expirations and prescriptions established in favor of the employer are suspended during this period.

Article 15. Subparagraphs 6, 8, 9, 10, 11, and 12 of Article 126 of the 1971 Cabinet Decree 252 are modified as follows:

Article 126. The workers have the obligation to:

6. Keep in good condition the instruments and materials given to them for their work, but they will not be held responsible for the deterioration of these objects due to use, natural wear, accidental cases, poor quality, or defective construction;

8. Observe the internal regulations' provisions, as well as the preventive and health measures adopted by appropriate authorities, and those indicated by the employer, according to the law, internal regulations, and the labor contract, for the workers' safety and personal protection.

9. Submit to a medical check up, when applying for a job or during the same, if it is ordered by the employer or appropriate authorities, to ascertain that he does not suffer a transmissible contagious disease, that he does not use drugs forbidden by the law, that he does not suffer psychological problems that may endanger the safety of his fellow workers or the employer's equipment or facilities.

10. Immediately notify the employer or his representatives about any event or circumstances that may cause damage or be detrimental for the safety of his fellow workers or the employer's equipment or facilities.

11. Vacate the houses or rooms provided by the employer as part of the work relationship, not later than 30 days after said relationship ceases, except in cases of workers' compensation. In the case of workers hired for an indefinite time and having more than two years of service, the labor administrative authority shall be able to extend this period for up to six months, taking into account seniority, family conditions, and the needs of the parties;

12. Go to the rehabilitation centers that, by mutual consent, were indicated to the employer and the unions to be treated for transmissible or contagious diseases or for the addictions stipulated in the aforementioned subparagraph 9. Should there not be a union organization, the problem with the contagious disease or the addiction shall be attempted to be resolved with the workers' next of kin.

Likewise, they are liable to subject themselves to tests to determine the drug consumption causing dependency on outlawed chemicals.

Article 16. Subparagraphs 3, 4, 5, 7, and 8 of Article 127 of Cabinet Decree 252 of 1971 are hereby modified, and subparagraphs 9, 10, 11, and 12 of the same article are hereby added as follows:

Article 127: Workers are prohibited:

...3. From taking materials, computer information devices, working tools, raw materials or finished products, equipment, or any other material belonging to the employer from the workshops, factories, or their installations without the authorization of the employer or its representative;

4. From going to work intoxicated or under the influence of illegal drugs;

5. From going to work without informing the employer about their use of medicines prescribed by a physician with the warning that it could cause drowsiness or adversely affect motor skills;

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7. From carrying weapons during business hours, excluding the thrusting and sharp weapons that are part of the tools or devices authorized by the employer and the arms workers in charge of security, for whom the employer has obtained a special permit from the corresponding authorities;

8. From making collections not authorized by the employer and sell raffle or lottery tickets inside the working facility, locale, or place during business hours;

9. From suspending work without a justified reason or without the employer's consent, even if the worker remains in his post, as long as the halting is not the result of a strike;

10. From altering, tampering with, or damaging, in any way whatsoever, computer information devices, backup files, or computers or peripherals;

11. From working for another employer during vacation, sickness leaves, or any paid sabbatical;

12. From engaging in sexual harassment practices.

Article 17. Subparagraphs 2, 9, 14, 15, 21, and 22 of Article 128 of Cabinet Decree 152 [as published] of 1971 are hereby modified, and subparagraphs 27, 28, 29, and 30 are hereby added as follows:

Article 128. The employers' duties, in addition to those especially derived from the contract, are as follows:

...2. To pay workers their respective wages, benefits, and indemnifications, according to the guidelines of this Code;

9. To provide the number of chairs or the like, sufficient for the employees, in accordance with the nature of the job;

14. To issue on an ordinary and free of cost for the worker, as often as it is necessary during, or at the termination of the employment relationship, a certificate stating the years of service, the kind of work performed or services performed and the wage received;

15. To agree with the union representatives, the directorates of social organizations, and the committees in the companies where these organizations operate, according to the case, on the procedures for workers to file formal complaints;

21. To provide workers with a detailed statement allowing them to verify the accuracy of the calculations and payments made when wages are partly covered by commissions on sales, collections, or both; additional payments, task bonuses, posts, production or performance incentives, or any other type of incentives;

22. To fill vacancies in the enterprise for reasons other than the suppresion of a post due to staff reduction, according to their needs;

27. To allow authorized union representatives to collect union contributions at the place and time of payment;

28. To set a fair, reliable, and practical procedure to investigate filed sexual harassment claims and to impose the corresponding sanctions;

29. To implement, along with the workers' organization or with workers, in case they do not have an organization, measures aimed at preventing the consumption of illegal drugs and alcohol;

30. To grant paid leave for part of the day to workers who, through a previous notification and subsequent verification, have the need to keep medical appointments for their personal care or for the treatment of their children under two.

Article 18. Subparagraphs 8, 9, 11, and 14 of Article 138 of Cabinet Decree 252 of 1971 are hereby modified, and subparagrahs 15 of the same article is hereby added as follows:

Article 138: Employers are prohibited:

8. From carrying weapons at the workplace, except in cases in which the corresponding authorities authorized them to do so;

9. From overseeing work while intoxicated or under the influence of illegal drugs;

11. From imposing sanctions not stipulated by the law or by the existing internal working guidelines on workers;

14. From deducting part of the workers' wages for the employers' own sake or to cover the payment of vacation or any other benefit, and to make any other unauthorized deduction;

15. From engaging in sexual harassment practices.

Article 19. Article 142 of Cabinet Decree 252 of 1971 will be replaced as follows:

Article 19. Wages can only be fixed by unit of time (month, fortnight, week, day or hour), and for jobs and piece work.

When the wage is agreed upon per unit of time, the parties may agree, apart from the same, upon supplementary bonuses, commissions, and on profit sharing. The basic wage in no case will be less than the legal or contractual minimum.

The wages for jobs or piece work will be fixed in connection with the work performed, provided a

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minimum is guaranteed to the workman for a daily period which shall not exceed eight hours, or less, independent of the result obtained. The minimum that must be guaranteed cannot be less than the pertinent minimum wage.

Employers and workers are allowed to reach an agreement as well as modify wage conditions based on jobs, piece work, commissions or supplementary bonuses. Periodic fluctuations in wages due to changes in production, sales, productivity, will not be understood as an increase or decrease in wages for purposes related to Article 150 of this Code, except when both contracting parties expressly agree on the contrary.

Payments related to productivity compensations, bonuses, and rewards to be made by employers to workers, will be considered as wages only for purposes related to estimating holidays, maternity leave, and all seniority compensation payments workers may be entitled to. Productivity bonuses will be exempt from educational taxes, or social security deductions. Said exemptions will also apply to seniority compensation payments, compensations for unwarranted dismissal, and in those cases where Christmas compensations or bonuses are applicable.

Without detriment to what has been previously stated, payments made by employers to workers on account of additions to the 13th month bonus, other bonuses, remunerations, productivity compensations, donations, and profit sharing will not be considered as wage, even when said profit sharing takes place in the form of share subscription or ownership, or even when it only benefits one or several workers of a company. For the purpose of what has been stipulated in Articles 70 and 197 of this Code, these bonuses, rewards, increases to the 13th month bonus, productivity compensations, and profit sharing will not be considered as customary or standard procedure, or conditions for employment. In any case, productivity bonuses, and donations will in no way exceed 50 percent of the basic wage.

Article 20. Substitute Article 143 of Cabinet Decree 252 of 1971 as follows:

Article 143. Wages may be augmented with productivity bonuses, overtime duties, additional pieces, quantitative incentives related to productivity or any other form of incentives. However, it is expressly prohibited in activities related to driving vehicles, mines, tunnels, work at high altitude, involving material considered toxic, explosives, flammable, and radioactive, or any other material which by its very nature can be considered as dangerous, which will be regulated by the competent administrative labor and health authorities.

Article 21. Substitute Article 155 of Cabinet Decree 252 of 1971 as follows:

Article 155. In case of death of the workman, wages accrued, complete of partial vacations that have been accumulated, as well as any other amounts payable under the contract to which the worker may be entitled, shall be sent by the employer to the respective Labor Sectional Judge, or can be demanded at the request of the interested party, so that the judge may deliver the corresponding sum of money, if it less than 1,500 balboas without having to undergo the requirement of a succession proceeding, to the deceased offspring under legal age, or whomever represents them, or in their absence, the spouse or person with whom the worker led a marital life, and who at the time of death of the worker lived permanently with him as his spouse.

In default of the above survivors, the sum of wages and vacations will be delivered to the mother or father of the workman. Any discrepancy or controversy that may arise in the application of this provision will be decided by the competent judge in a summary proceeding, impartially and without formalities, based on evidence submitted and according to his discernment.

If the sum accrued by the deceased workman in the way of wages, full or proportional vacations, or other labor benefits were to surpass 1,500 balboas, the judge will then deliver the corresponding amount as indicated in the preceding paragraph, after sufficient evidence has been submitted and after the publication of a summons requesting all interested parties entitled within the proceedings, to appear within a five day period as of the publication of the last summons applying, where compatible, proceedings established for incidental issues. In this last case, the judge will fill all gaps in accordance to his prudent discretion.

Within the proceedings stated in the preceding paragraph, the relevant judge can order provisional payments to a petitioner when there is sufficient evidence, in his opinion, and if the circumstances so justify it. Only the remedy of appeal of suspended judgment will be admitted against resolutions that end these lower court proceedings.

Should there be no relatives as mentioned in the previous paragraphs, the labor judge will deliver the accrued wages to the person, or people, who may be entitled in accordance with the Civil Code stipulations on issues pertaining to successions, but without subjecting it to succession proceedings.

Article 22. Substitute Article 159 of Cabinet Decree 252 of 1971 as follows:

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Article 159. It shall be unlawful to reduce by any means the agreed wage, not even with the consent of the worker.

In those cases in which, due to serious national economic crises, accidents, or force majeure, duly proven by the administrative labor authorities, the existence of the source of employment is threatened, it will be possible to temporarily modify or reduce the corresponding work hours or work week, with the consent of the labor organization or the consent of the workers where there is no labor union, as long as an agreement is reached on the methods whereby working hours will gradually be restored to the levels that existed prior to the crisis.

In such a situation, the state will join forces with workers or employers in order to mitigate the effects of the crisis.

Article 23. A paragraph will be added to Article 160 of Cabinet Decree 252 of 1971 as follows:

Article 160:

The ministries or autonomous institutions will be obligated to notify respective employers of leave granted five working days in advance. The number of workers granted leave per company shall not overburden a specific department or section so as not to hinder normal operations.

Article 24. Substitute Article 162 of Cabinet Decree 2252 of 1971 as follows:

Article 162. The wage up to the legal minimum shall not be liable to seizure or attachment.

The complete amount of sums workers receive as vacation pay, retirement benefits, pensions and compensations as established in this code, collective agreement, contracts or individual pacts and plans or practices of the undertaking are also unattachable.

Article 25. Substitute Article 186 of Cabinet Decree 252 of 1971 as follows:

Article 186. In all work centers, firms or establishments where 20 or more workmen are employed, an Undertaking Committee shall operate, being a joint body composed of two employers' and two union workers' representatives appointed each year by the respective union. Nonorganized workers will be allowed to select their respective representative in those cases where there are no unions.

Issues on output, productivity and how to improve it, workers training programs, and other similar topics may be submitted before the Undertaking Committee by the employer or this legal representative, as well as the union or the workers.

The Undertaking Committee, at the request of the concerned party, shall have the right of conciliation in the controversies that arise in the application of internal regulations and in the acts and claims presented by workers due to infringement of obligations by employers.

Both parties shall have free access to the administrative or jurisdictional labor authorities at all times.

Article 26. Substitute Article 193 of Cabinet Decree 252 of 1971 as follows:

Article 193. The attribution and ownership rights to exploit inventions made in the undertaking during the employment relationship shall be governed by the following rules:

1. Inventions known as "works inventions" ("invenciones de empresa"), i.e. wherein the process, installation, methods and procedures of the undertaking predominate, without distinction of person or persons whatsoever, shall be the property of the employer.

2. In the case of service inventions, i.e., those made by workmen who are specially engaged under contract for research work and making inventions, the property of the invention will belong to the employer, but inventors shall have the right to have their names mentioned as authors of the invention.

3. In the case of free inventions, i.e. wherein the personality or effort of one or more workers predominate, they shall belong to the individuals making them, even if they have developed as a result of his work or operation.

In any case, the employer as well as the worker shall keep the invention secret.

4. If the invention were to come about as a result of efforts by a third party working for the union, the principles stipulated in the previous numerals shall prevail.

Article 27. Substitute Article 195 of Cabinet Decree 252 of 1971 as follows:

Article 195. When dealing with free inventions, the workman or trade union that owns the invention can only waive its ownership, whether patented, in favor of the employer or a third party by a contract subsequent to the invention.

Article 28. Add Article 197-A to Cabinet Decree 252 of 1971 as follows:

Article 197-A. Employers' orders to mobilize will not be deemed to be a unilateral alternative provided these functional or horizontal moves are compatible with

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the workman's position, hierarchy, strength, aptitude, training, and dexterity. This will be applicable provided executing the job does not reduce remuneration or salary or affect the workman's dignity or afford greater risk.

Mobility may be carried out:

1. Due to organizational needs of the enterprise, work or production, market variations, or technological innovations.

2. In cases provided for in the collective agreement.

3. Under the terms agreed with the trade unions each time, with the enterprise committee where no trade union exists, or directly with the workman or the respective workmen.

Mobility may be temporary or permanent.

In this last case, permanent functional mobility will be understood to be a transfer, and workmen will receive a higher basic salary and higher basic benefits corresponding to the new position according to job classification or the usual salary paid by the enterprise. In any event, the workman cannot be forced to accept the transfer when the first paragraph of this article is not complied with.

When mobility is temporary, the duration will be agreed with the trade union or with the workman or workmen, except when replacing a workman while on leave of absence. The workman who must render services of a higher classification will receive from the employer a bonus not less than the basic salary levels or the accustomed amount established for that classification in the enterprise, during the period served while in the new position, and goes back to his original salary and work conditions upon returning to the original work.

Mobility cannot affect the right to belong to a trade union and in general should not interfere with trade union work performed by the workman who has immunity, according to the provisions under Article 383 of this code, nor can it affect a female worker with maternity immunity, in accordance with Article 116.

This article is regardless of what collective agreements establish.

Article 29. Modify item No. 1 of Article 199 of Cabinet Decree 252 of 1971 as follows:

The following are considered causes for the provisional suspension of the effect of the labor contracts, without responsibility for the worker or the employer:

1. Sickness or accident, nonoccupational in nature, that involves temporary disability of the worker, when this exceeds the sick leave fund, and up to a period that shall not exceed one year. This suspension shall be effective from the date on which disability occurred, as evidenced by the certificate issued by a physician in the service of the government or in the Social Security Fund.

Article 30. Add two paragraphs to Article 200 of Cabinet Decree 252 of 1971 as follows:

Article 200.

Disability certificates must be issued by qualified doctors; be prenumbered; contain the General Health Directorate number issued to the doctor, his full name, address, telephone number, and the name of the public institution, either the Social Security Fund or the Health Ministry, or the private clinic where the doctor works.

Certificates that do not fulfill these requirements will not be valid, except when some of these requirements cannot be met due to the nature of the place where it was issued. The doctor is obligated to keep in the workman's file a copy of each certificate with the diagnosis or the reason disability was granted.

Article 31. Article 212 of Decree Cabinet 252 of 1971 is replaced as follows:

Article 212. The following cases are exempted from the provisions of the previous article:

1. Employees who have less than two years of continuous service;

2. Domestic employees;

3. Permanent employees of small agricultural, livestock, agroindustrial, or manufacturing companies. The following companies will be considered as such: agricultural and livestock companies hiring 10 or fewer employees; agroindustrial companies hiring 20 or fewer employees; and manufacturing companies hiring 15 or fewer employees;

4. Employees on ships engaged in international service.

5. Apprentices.

6. Employees of retail stores and companies hiring five or fewer employees, except in cases of financial, insurance, and real estate establishments.

In those cases to which this Article 225 refers, the employer must, in addition to paying the employee the compensation contained in Article 225, give notice of the dismissal 30 days ahead of time or pay in installments the sum corresponding to the prior notice. The term for the prior notice will begin to count from the start of the pay period following notification.

In those cases, there will be no due wages [salarios caidos] because of an unjustified dismissal, except when one of the causes contained in Article 213 of the Labor

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Code is invoked and the dismissal cannot be justified. In those cases there will be no surcharges.

For domestic employees or employees working on ships engaged in international service, the respective special provisions will apply.

Article 32. Numbers 1, 13, 15 and 16 of paragraph A, Numbers 4 and 5 of Paragraph B, and number 3 of Paragraph C of Article 213 of Cabinet Decree 252 of 1971 are amended as follows:

A. Of a Disciplinary Nature.

1. When the employee deceives the employer by presenting false documents or certificates attributing to him qualifications, aptitudes, or skills that he lacks; or whenever the contract or an amendment of it is executed because of those special conditions. The employer's right to terminate the contract for this reason shall expire one month from the date in which the false nature of the documents is known. Whenever a certificate of accreditation to practice a profession is not in question, this term shall not exceed one year, counted from the date of the start of the labor relationship;

13. The employee's repeated infringement of the prohibitions contained in numbers 3, 4 and 5 of Article 127;

14. Sexual harassment or immoral or punishable conduct by the employee during the performance of his duty;

16. Noticeable poor performance, rated according to specific technical and professional evaluation systems and regulations that have been previously approved by the Labor and Social Welfare Ministry or a collective bargaining agreement.

B. For a Not Blameworthy Reason.

4. A properly confirmed mental and physical inability to work or the loss of the qualification demanded for the practice of a profession that makes it impossible to fulfill the essential obligations of the contract;

5. The expiration of the one-year period, starting from the date of the suspension of the contract, prompted by the employer's illness or accident which did not take place on the job.

C. Of an Economic Nature

3. The definite suspension of labor activities inherent to the contract or the confirmed reduction of activities by the employer due to grave economic crisis, partial inability to cover operational expenses as a result of a drop in production or due to changes in procedures or factory equipment; or the revoking or expiration of an administrative concession, cancellation of requisitions or purchase orders, or a reduction in the company's productive activities, requisitions, or purchase orders or sales, or another similar reason duly confirmed by competent authorities.

In the cases of dismissal due to financial reasons, the following rules will be applied:

A. The workmen who have less seniority in the categories concerned will be the first to be dismissed.

B. Once the preceding rule has been applied on deciding what workers are to be maintained in the staff, preference shall be given to Panamanian workers over aliens, trade union workmen over those who are not, and the most efficient over the less efficient.

C. Pregnant women, even if they are not preferentially protected in the previous rules, will be the last to be dismissed, only if it is absolutely necessary to do so, and after the legal formalities have been fulfilled.

D. Equally, once the previous rules have been applied, the workmen protected by union privileges [fuero sindical] shall have preference over other workers to remain in their jobs.

Article 33. Substitute Article 218 of Cabinet Decree 252 of 1971 as follows:

Article 218. In labor contracts for an indefinite length of time, the worker who has received a dismissal notice can request conciliation and decisionmaking councils [juntas de conciliacion y decision] or labor courts, in areas where the councils do not operate, that he be reinstated in the position he held before dismissal or that he be paid compensation as stipulated in Article 225.

If, in the corresponding proceedings, the employer does not prove justified reason for dismissal or present a prior resolution authorizing this action, the ruling will be to accept the rights requested by the worker, as well as the payment of his unpaid wages, which are to be calculated thus:

1. Up to a maximum of three months, starting from the date of dismissal, for the worker who has started working after the current law goes into effect.

2. Up to a maximum of five months for the worker who is working on the date this law goes into effect.

3. Labor cases being processed at legal courts prior to this law going into effect and that imply payments of labor benefits, unpaid wages, and compensations will be decided based on the norms in force at the time the current law goes into effect.

The ruling must specify that the compensation payment will be made from the unemployment fund paid by the

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employer or, in its absence, directly by the employer, who must also pay the costs of the process.

The conciliation and decisionmaking councils will rule in a period no longer than three months, starting from the date the claim was presented. The penalty for violation to the aforementioned is subject to what is established in the Labor Code.

The Labor Ministry will establish the conciliation and decisionmaking councils it deems necessary for the compliance of the points included in this article and especially to avoid the accumulation of unpaid wages.

Article 34. Substitute Article 219 of Cabinet Decree 252 of 1971 as follows:

Article 219. In cases where reinstatement has been ordered, the employer can end the labor relations by paying the corresponding compensations plus an additional payment, which is to be calculated thus:

1. Fifty percent over the corresponding compensation payment for the worker who is working in the firm at the moment the current law goes into effect.

2. Twenty-five percent over the corresponding compensation payment for the worker who started working as of the date the current goes into effect, if the employer is not overdue in the payment of the unemployment fund.

Furthermore, the employer must pay unpaid wages as indicated by the respective ruling, in accordance with Article 218.

The employer will have a one-month period to reinstate the worker or pay the compensation. This period will start the day after the date the ruling is confirmed.

In cases included in numerals three and six of Article 212 of the code, the compensation payment referred to in this article can be made in a period of no more than six months, prior to presentation of irrefutable proof of the firm's poor economic situation to the judge or council and always if the payments are no less than the equivalent to the average wage of the dismissed worker.

Article 35. Substitute Article 224 of Cabinet Decree 252 of 1971 as follows:

Article 224. At the termination of any contract for an indefinite length of time, regardless of the reasons for the termination, the worker shall be entitled from his employer a seniority bonus of one week of wage for each year worked since the working relation began. Should the worker not work one of the years of service completely, since the labor relation initiated and in subsequent years, he is entitled to the corresponding proportional part for that year.

Paragraph: This benefit will be calculated for the worker who is employed at the time the unemployment fund goes into effect, since said date. The period worked prior to that date will also be paid when the labor relation ends, if the worker has rendered his services to the employer in a continuous manner for 10 years or more.

Article 36. Substitute Article 225 of Cabinet Decree 252 of 1971 as follows:

Article 225. Without precluding the stipulations of the previous article, if a contract for an indefinite length of time is terminated for unjustified reasons or without the necessary prior authorization, the worker who settles for compensation once the judge has resolved that payment must be made will have a right to receive compensation from his employer based on the following scale:

A. The following scale will be applied for services rendered prior to 2 April 1972:

1. A wage equivalent to one week for every three months of work if the time in service was less than one year — in no case will the compensation be less than a week of wage;

2. A wage equivalent to a week for every two months of work if the time in service was from one to two years;

3. Three months of wages from two to five years of work.

4. Four months of wages from five to 10 years of work.

5. Five months of wages from 10 to 15 years of work.

6. Six months of wages from 15 to 20 years of work.

7. Seven months of wages for more than 20 years of work.

This scale cannot be applied in a combined manner.

B. The following scale shall be applied for services rendered after 2 April 1972:

1. A wage equivalent to one week for every three months of work, if the time in service was less than a year — in no case will the compensation be less than a week of wages.

2. A wage equivalent to one week for each two months of work if the time in service was from one to two years.

3. A wage of three additional weeks for each year worked if the time in service was from two to 10 years.

4. A wage of one additional week for each year worked if the time in service was more than 10 years.

This scale can be applied in a combined manner, distributing accordingly the time of services rendered in each one of the previous numerals.

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In the case of services rendered that correspond to payments before and after 2 April 1972, the mentioned scales will be applied separately.

C. For labor relationships that commence as of the enforcement of the current law, the compensation will be equivalent to 3.4 weeks of wages for each year work in the first 10 years; and each year after the 10 years will be compensated with an equivalent of one week of wages for each year. This compensation cannot be combined with any other scale.

In both cases mentioned in this paragraph, the corresponding proportional wage will be paid if one of the years has not been worked completely.

The compensation included in this article will also be paid when the labor relationship terminates for each of the causes established in paragraph C of article 213.

It is prohibited to pay the seniority bonus, compensation, and additional payment, if required, in kind.

Article 37. Add Chapter III to Title VI of Book I of Cabinet Decree 242 of 1971, thus:

Chapter III

Unemployment Fund

Article 229-A. In the case of indefinite labor contracts, employers will create an unemployment fund to pay the worker once the labor relationship ends, his seniority bonus, and a compensation for unjustified dismissal or justified resignation.

Article 229-B. To create the fund, the employer will make quarterly contributions to the fund. He will contribute part of the worker's seniority bonus and 5 percent of the monthly compensation to which a worker may have the right in case the labor relationship ends because of an unjustifiable dismissal or justified resignation.

Article 229-C. The quarterly dues to which the previous article makes reference will be deposited, in trusteeships, in private institutions authorized by Law 10 of 1993, which regulates the administration of complementary retirement and pension funds. Such institutions may not be subsidiaries of the employer or associated with him.

Article 229-D. As for the handling of the dues in the trusteeships, qualified administrators will invest it according to what has been stipulated in Law 10 of 1993 and its bylaws. The administrators will conduct their work following universal principles of portfolio diversification and preservation of capital.

According to what has been established in the previous paragraph, the administrators will make investments in mortgage bonds, housing, and other investments in economic activities that can create a significant number of jobs and promote the country's economic diversification.

The administrators may, through the credit institutions, allocate a portion of the funds for a personal loan program for workers at interest rates comparable to those in the market.

Article 229-E. Dues paid to the worker's seniority bonus will be made with the purpose of protecting the individual right of each worker. The use of these funds by the worker may only be possible if the conditions in Article 229-K are met. Dues paid to the compensation fund will be made on behalf of the employer.

The interest generated by the dues paid to the seniority bonus and compensation funds belong to and will be allocated to the employer.

Article 229-F. The employer is not forced to pay the respective quarterly dues if the previously paid dues and its interest yield can cover any liability in the seniority bonus and compensation funds. If only a portion of the liabilities have been paid, the employer is only forced to pay the dues to cover the difference.

If the dues and their yields exceed the employer's liabilities in the seniority bonus and compensation funds, the employer may make total or partial withdrawals from the excess amount.

Article 229-G. The dues paid by the employer to the unemployment fund are tax deductible. If the employer makes the withdrawals mentioned in the previous article, he must pay the tax on the amount withdrawn.

The sums assigned to the unemployment fund, as well as its earned interest, cannot be embargoed by third parties, but only by the employee himself, to collect his seniority compensation payment and indemnification, and for the sum to which he is entitled.

Article 229-H. The administrator hired by the employer must give the employees every three months and individually a voucher for the sum the employer has assigned to guarantee this obligation.

The administration is also responsible for giving the employer and workers a report on the state of the contributions for indemnification, and confirming that they are up to date.

Article 229-I. It is the worker's prerogative to make deposits on his own to the unemployment fund during the labor relationship, in which case those contributions

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and earned interest will be registered in an individual account.

Those contributions and earned interest cannot be used for any financial or capitalization transaction by or in favor of the employer and will receive the same benefits as the employer's contributions.

Article 229-J. The sums paid by the employer cannot be transferred to third persons, except for the seniority compensation payment in case of the worker's death.

Article 229-K. During the labor relationship, workers can use the sums accumulated in their favor as seniority compensation payment to guarantee the purchase of real estate or houses, with the prior confirmation of this purpose.

Article 229-L. At the end of the labor relationship, regardless of the reason, the workers will be entitled to receive the sums contributed by the employer as seniority compensation payment. In case of the worker's death, the rules established in Article 155 of the Labor Code will apply.

The worker will receive the employer's contributions for indemnification in the following cases:

1. Termination of the labor relationship for justified reason, duly confirmed by the corresponding authority.

2. The worker's resignation with justified reason, duly confirmed by the corresponding authority.

3. Termination of the labor relationship by mutual agreement, expressed in a document signed by both parties, agreeing to the total or partial payment of the indemnification.

The worker has a right to receive total or partial payment of the sum he is entitled to at the end of a labor relationship or to maintain it in a savings or capitalization account, in which case Article 229-I will apply.

Article 229-M. The guidelines in this chapter will not necessarily be applicable to companies mentioned in clauses 3 and 6 of Article 212 of the Labor Code or to cooperatives, unless they decide to be ruled by them.

Article 229-N. It is the employer's obligation to create the unemployment fund only for seniority compensation payment and indemnification applicable from the date the fund is created in accordance with this chapter, in favor of workers employed at that time and those hired afterward. Employers will have a six-month deadline after this law becomes effective to begin making contributions to this fund and establishing the corresponding trusteeship and administration contracts.

The seniority compensation and indemnification payments resulting from labor relations before the establishment of the unemployment fund will be paid by the employer directly to the worker in accordance with Articles 224 and 225 of this Code. It is, however, the employers' prerogative to include those labor obligations in the unemployment fund, in which case they can deduct those payments when presenting their income tax statement for the corresponding year.

Companies having trusteeship or any other system to cover the seniority compensation and/or indemnification payments for unjustified reasons will have the option of maintaining that system or paying through the fund.

Article 38. Substitute Article 238 of Cabinet Decree 252 of 1971 as follows:

Article 238. Commercial agents, traveling salesmen, publicity or sales promoters, collection agents, and the like shall be deemed to be workers of the company for which they work, unless they do not perform the work in person or only intervene in certain operations from time to time.

Article 39. Substitute Article 242 of Cabinet Decree 252 of 1971 as follows:

Article 242. Insurance brokers who sell policies for two or more insurance companies, regardless of the number of policies and/or the sum received as commission for those policies, commercial agents, traveling salesmen, publicity or sales promoters, collection agents and the like who work for several companies or who are not subject to work timetables, nor attendance registers, shall not be considered workers for all legal purposes.

It shall only be necessary for one of the three conditions mentioned to be present to eliminate the labor relationship mentioned in Article 62 of the current Labor Code.

Article 40. The second paragraph of Article 340 of Cabinet Decree 252 of 1971 is hereby replaced as follows:

Article 340. ...

The social organizations of workers shall avail themselves of their corporative status to earn profits whenever it contributes to the general welfare of all members. However, they shall not engage in activities that constitute disloyal competition to their corresponding employers.

Article 41. Article 344 of Cabinet Decree 252 of 1971 is replaced as follows:

Article 344. The unions of workers or professionals will be constituted with a minimum of 40 members. The

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unions of employers will be formed with a minimum of 10 members, who are entirely independent among themselves:

Article 42. Article 352 of Cabinet Decree 252 of 1971 is replaced as follows:

Article 352. Admitting the registration of a union shall take a time limit of 15 calendar days, which may not be extended, starting the same day the Ministry receives the registration application. This application shall meet the following requirements:

1. It must be signed by the president or secretary general of the pertaining union, federation, confederation, or central being formed.

2. It must be sent to the General Labor Directorate directly, or through the labor authorities, or the first political authority of the place.

3. It must be accompanied by an authenticated copy of the constitutive document, the approved bylaws, and the minutes drafted during the meeting or meetings in which the approval took place.

The founding members of the union or those persons that are asked for this particular purpose if any or several of the founding members do not know or cannot sign shall sign the constitutive document. The document will state the type of union, its legal domicile, the number of members, and the names and surnames and the personal identification numbers of the members of the board of directors.

The Ministry of Labor and Social Welfare shall, within the 15-day period indicated in this article, proceed to verify the personal identification numbers noted in the constitutive document for at least the minimum number of members required by Article 344.

In the case of federations, confederations, or centrals, the representatives of the corresponding founding organizations shall sign the constitutive document, which will state the union's domicile, the name and domicile of all the member organizations, and the names and surnames and personal identification numbers of the members of the board of directors.

This documentation shall be presented in triplicate. A copy shall be returned to the interested parties with a certification stating the document's submittal, indicating the date and time in which it took place. Another copy shall remain at the register's office, and a third copy shall be used to process the application.

Article 43. Article 353 of Cabinet Decree 252 of 1971 is replaced as follows:

Article 353. If the registration request or the submitted documentation are not in keeping with stipulations made in the previous article, the Ministry of Labor and Social Welfare shall issue a decision indicating clearly and specifically its flaws and deficiencies to enable the interested parties to correct them within 15 calendar days. An appeal of this ruling may be filed within the following five days, and a decision must be reached in 10 days. If after the 10 days are over, no decision has been made on this appeal, the ruling shall be tacitly confirmed.

In the case contemplated in this article, the time limit of 15 days indicated in the preceding article shall go into effect the day on which the amended request is presented.

Article 44. Article 356 of Cabinet Decree 252 of 1971 is replaced as follows:

Article 356. If after the 15 calendar days mentioned in Articles 352 and 353 have elapsed, the registration application has not been either rejected or objected, the union, federation, confederation, or central shall be considered registered for all legal purposes and, as of that date, the Ministry shall be required to issue the pertaining records and certifications and make the corresponding entry in the registers of the social organizations.

Article 45. Article 359 of Cabinet Decree 252 of 1971 is modified as follows:

Article 359. The bylaws of the social organizations shall establish the reasons to terminate the members and the directors of the organization.

Article 46. Article 369 of Cabinet Decree 252 of 1971 is modified as follows:

Article 369. The board of directors shall be made up of the number of key members and substitutes stipulated by the bylaws and they shall be of age. In spite of this, the main members of the said boards of directors, up to a maximum of 11, shall have union privileges. The substitutes shall have union privileges in keeping with the stipulations made in Article 382.

Article 47. Article 374 of Cabinet Decree 252 of 1971 is modified as follows:

Article 374. The bylaws of the union shall determine the term of the members of the board of directors and that of union representatives.

TEMPORARY PARAGRAPH: As long as the bylaws of the current social organizations or those organizations being registered are not reformed, the term shall remain two years.

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Article 48. Article 375 of Cabinet Decree 252 of 1971 is modified as follows:

Article 375. The bylaws of the social organizations shall establish the restrictions or prohibitions regarding reelection periods, or limit the number of times a person can be a member of the board of directors.

Article 49. Subparagraph 4 of Article 376 of Cabinet Decree 252 of 1971 is modified as follows:

Article 376. The unions and other social organizations are required to:

4. Allow labor authorities, for specific purposes, to examine their books of minutes, members, and accounts whenever this is requested by at least 20 percent of their members.

Article 50. The second paragraph of Article 377 of Cabinet Decree 252 of 1971 is modified as follows:

Article 377...

The funds and assets of labor unions shall not be susceptible to attachment, embargo, or any other protective measure. An exception to this rule is embargos decreed in a mortgage executive process against the asset given as guarantee.

Article 51. Replace Article 380 of Cabinet Decree 252 of 1971, as follows:

Article 380. The Ministry of Labor and Social Welfare shall provide the social organizations with the technical and economic assistance they require to organize programs, courses, seminars for labor education and union capacitation, and congresses. The economic assistance the State will provide social organizations for the aforementioned purposes will be channeled through labor confederations, independent federations, and independent national unions, duly constituted, taking into consideration the number of affiliated workers. Economic support for congresses will be regulated by the Ministry of Labor and Social Welfare through an executive decree.

Article 52. Modify Clause 2 of Article 381 of Cabinet Decree 252 of 1971, as follows:

Article 381. The following shall enjoy union privileges:

2. The members of the board of directors of the unions, federations, confederations, or workers' centers, subject to the conditions established in Articles 369 and 382.

Article 53. Modify the wording and clauses 2 and 4 of Article 403 of Cabinet Decree 252 of 1971, as follows:

Article 403. The collective agreement shall at least contain the following:

2. The enterprises or institutions covered, or both;

4. Stipulations on general or specific working conditions. It shall also contain stipulations on salaries, enterprise committees, labor mobility, unemployment fund, productivity, individual labor contracts, obligations and prohibitions for each party, working hours and work schedules, obligatory rest, invention patents, vacation, retirement age, and in general all regulations derived from the Labor Code or that are based on the company's reality update the duties and rights of each party in order to strengthen cooperation ties for mutual benefit.

Article 54. Add a paragraph to Article 406 of Cabinet Decree 252 of 1971, as follows:

Article 406...

The clause by which an agreement is reached for the worker's benefit to replace one privilege with another previewed in the collective agreement will be valid.

Article 55. Replace Article 413 of Cabinet Decree 252 of 1971, as follows:

Article 413. In case of dissolution of the labor organization signatory to the collective agreement, the agreements reached shall continue in effect in the enterprise, unless a new labor organization or organized group of workers is formed and the workers and the enterprise decide to sign a new collective agreement.

Article 56. Replace Article 415 of Cabinet Decree 252 of 1971, as follows:

Article 415. The fact of ceasing to be a member of an organization which is a party to a collective agreement or the fact that such organization is dissolved shall not affect the obligations and rights stipulated in the collective labor agreement.

In case of substitution of the employer, the new employer shall be bound to the same terms as the one who has been replaced, except when Article 413 applies.

Article 57. Replace Article 416 of Cabinet Decree 252 of 1971, as follows:

Article 416. Any of the parties to a collective labor agreement can request negotiations for a new one, three months before the expiration date. If the parties agree, the guidelines contained in Article 402 will apply.

While the collective agreement is in force, and as long as there is a mutual agreement on specific subjects of interest for both sides, the parties can revise and modify the agreement directly at a mutually agreed time, and in accordance with Article 400.

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Article 58. Modify the second paragraph of Article 438 of Cabinet Decree 252 of 1971, as follows:

Article 438...

The reluctance of any of the parties to appear at the meetings called shall be considered, for all purposes described in this Code, as an abandonment of conciliation.

Article 441. During the conciliation process, the employer must maintain the labor contracts existing at the beginning of the conflict, except when the contracts expire or the works are completed.

From the moment the list of demands is duly presented and until the time expires to declare a strike, during a strike, or during the arbitration period, any termination or suspension of contract obligations must be previously authorized by the respective labor judge, in accordance with the procedures stipulated for lifting union privileges.

It is presumed that the dismissal of a worker who supports the list of demands is an act of reprisal, notwithstanding the employer's right to prove the contrary. The same criteria will be applied for requests to suspend labor contracts.

This regulation will also apply for direct negotiations for collective agreements.

Article 60. [as published] Add Article 536-A to Cabinet Decree 252 of 1971 as follows:

Article 536-A. In the case of labor disputes, the parties may provide Public Registry or Commerce and Industries Ministry certificates showing their legal status without having to pay taxes or fees of any kind.

Article 61. Add the following paragraphs to Article 705 of Cabinet Decree 252 of 1971 as follows:

Article 705.

The government administration of commercial establishments or seizure of businesses and ranches will be ordered only when it is determined that there is an imminent threat of closure or bankruptcy.

In these cases, the judge cannot appoint the manager as a government-appointed administrator.

The creation of funds or guarantees supporting the rights of workers will be allowed, in which case the seizure of the company would not take place.

Article 62. To amend Article 959 of Cabinet Decree 252 of 1971 as follows:

Article 959. Once the term for transferring a case has expired, the judge will have a maximum of 15 calendar days to determine the elements that may be used as evidence and will announce a date and a time for the parties to appear before a hearing with their evidence.

There cannot be less than three and no more than five days between the announcement and the date of the hearing, which will be counted starting on the day the notification is made.

Article 63. To amend Article 967 of Cabinet Decree 252 of 1971 as follows:

Article 967. Hearings may only be postponed once by either party and may be held without the need to issue another resolution and will be held on the day following the postponed date with any of the parties that may attend.

In case of an inability to attend for several days, which may not be more than three, the hearing will be held the day following the postponed date without a need for another resolution.

If more than three days pass, a court-appointed defense attorney would be named in the case of the worker's lawyer; or a defense attorney would be named in absentia [defensor de ausente] in the case of the employer's lawyer.

If a hearing cannot be held because of an unjustifiable absence of the parties, the judge will proceed to resolve the case by handing down a ruling, not precluding any penalties that may be in order.

Article 64. Amend Article 978 of Cabinet Decree 252 of 1971 as follows:

Article 978. In the case of a dismissal in violation of union laws, the adversely affected party may go to the General or Regional Labor Directorate with the evidence, at least circumstantial evidence, of the labor relation to request that his right to be immediately reinstated in his job be recognized.

The administrative authorities will have the obligation to issue the resolution ordering the reinstatement, within a time period not greater than two continuous hours, starting the moment the request is filed. The employer who disregards the aforementioned order would be violating the law and would be forced to pay the wages that would correspond from the moment of the unauthorized dismissal to the moment the worker is reinstated.

Article 65. Add Article 981-A to Cabinet Decree 252 of 1971 as follows:

Article 981-A. A challenge does not preclude the fulfillment of the reinstatement order unless the dismissal was due to the expiration of a contract or the conclusion

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of a work. In this case the challenge should be accompanied by a copy of the written labor contract noting the temporary nature of the labor relation.

In these cases, and in all the others, in which a challenge is based on the expiration of a contract or the conclusion of a work, the worker may argue the inefficiency of the temporary labor contract.

Article 66. Modify Paragraph C of Article 4 of Law 7 of 1975 as follows:

Article 4. To be a member of the Conciliation and Decision Board the following is required:

c. The representative of the employers must be an employer or worker in the administrative personnel or executive category.

Article 67. Article 6 of Law 7 of 1975 is replaced as follows:

Article 6. The representatives of the workers and of the employers at the conciliation and decision boards shall hold their posts for one month, and this term may be extended up to two additional months.

The representatives of the workers shall be entitled to leave without pay, computed as a period of effective service for all other legal purposes. The state shall pay the cost of the salary of the representatives of the workers, which shall not be less than 500 balboas a month (B/.500.00).

If the representatives of the employers are workers, they shall be entitled to paid leave at the companies where they work, and the state shall pay 50 percent of their salaries up to a maximum of 500 balboas a month (B/.500.00).

Article 68. Paragraph 1 of Article 9 of Law 7 of 1975 is replaced as follows:

Article 9. The hearing shall be held on the previously set date and time with any of the parts that attend it. If the hearing is postponed or is not held because of unjustifiable absence, actions shall be adopted in keeping with stipulations made in Article 967 of the Labor Code.

Article 69. Article 11 of Law 7 of 1975 is modified as follows:

Article 11. The defendant and the plaintiff shall be notified in person of the ruling ordering the transfer of the suit, which will also include the date of the hearing.

Article 70. The current Law modifies Articles 39, 126, 199, 213, 340, 376, 377, 381, 403 and 438 of Cabinet Decree 252 of 1971 and Articles 4, 6, and 9 of Law 7 of 1975; Paragraph B of Article 62 of Law 30 of 1991, which modifies the Decree-Law of the Social Security Fund. It also modifies Articles 1, 22, 60, 67, 75, 77, 78, 107, 142, 143, 155, 159, 162, 186, 193, 195, 212, 218, 219, 224, 225, 238, 242, 344, 352, 353, 356, 359, 369, 374, 375, 380, 413, 415, 416, 441, 959, 967 and 978 of Cabinet Decree 252 of 1971 and Article 11 of Law 7 of 1975. It adds Subparagraph 8 to Article 12, a paragraph to Article 59, a paragraph to Article 76, a paragraph to Article 160, two paragraphs to Article 200, a paragraph to Article 406, paragraphs to Article 705, Articles 54-A, 77-A, 197-A, 536-A, 981-A and Chapter III to Title VI of Book I, constituted by Articles 229-A, 229-B, 229-C, 229-D, 229-E, 229-F, 229-G, 229-H, 229-I, 229- J, 229-K, 229-L, 229-M and 229-N, to Cabinet Decree 252 of 1971. It modifies Subparagraphs 3, 4, 5, 7 and 8 and adds Subparagraphs 9, 10, 11 and 12 to Article 127; modifies Subparagraphs 2, 9, 14, 15, 21, 22 and adds Subparagraphs 27, 28, 29 and 30 to Article 128; modifies Subparagraph 8, 9, 11 and 14 and adds Subparagraph 15 to Article 138, all of Cabinet Decree 252 of 1971. It annuls Articles 80, 81 and 347 of Cabinet Decree 252 of 1971 and any other provision that opposes it.

Be It Promulgated and Executed

Approved in third debate at the Justo Arosemena Palace,

Panama City on 12 August 1995.

[Signed] **Balbina Herrera Arauz,** president; **Erasmo Pinilla C.,** secretary general

Executive Branch

Presidency of the republic

Panama, Republic of Panama,

12 August 1995

[Signed] **Ernesto Perez Balladares**, president of the republic; **Mitchel Doens**, minister of Labor and Social Welfare.

Correction to Legislators on President's Announcement

PA!408163095

The following correction pertains to the item headline "Legislators React to Approval of Reforms," published in the 16 August Latin America DAILY REPORT, page 23:

Column two, paragraph six, only sentence make read: ...yesterday was a "disappointment for the country...(changing "deception" to "disappointment")

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Argentina

Cavallo Views Campaign Against Economy Ministry

PY1808144595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1050 GMT 18 Aug 95

[FBIS Translated Text] Buenos Aires, 18 Aug (NA) — Economy Minister Domingo Cavallo has reported the existence of a campaign to involve his team members in fraud cases, seeking to distract attention from the corruption cases involving the "mafias" that operate in our country. The minister admitted that these "mafias" even operate "within the Economy Ministry."

Cavallo raised this allegation last night, during the "Key Hour" television program [that is anchored by Mariano Grondona] in which the reports of alleged "kickbacks" in the installation of the National Bank's computer system again became the center of attention. The minister used the television time to disavow these reports, following his unsuccessful effort on 15 August during the "New Times" television program, anchored by Bernardo Neustadt.

Having been unable to speak during the "New Times" program, Cavallo said he would participate in Mariano Grondona's program. After a long questioning by the Senate, Cavallo yesterday went to Channel 9.

During the "New Times" program, it was mentioned that Ricardo Cossio, the former General Directorate of Taxation director, and former Public Revenues Secretary Carlos Tacchi had left their posts after discovering tax evasions and frauds, without being allowed to act accordingly.

Cavallo absolved the National Bank of all responsibility. National Bank President Aldo Dadone is very close to Cavallo.

The economy minister held the Consad and CCR companies responsible for the "huge evasion." These companies were subcontracted by IBM, the company that won the bid to install the National Bank's "Centennial" computer system.

Cavallo added: "These two companies are involved in a shameful tax evasion and should not save themselves by seeking tax relief."

He noted that Consad has supplied computer services to the DGI since 1990. Therefore, he cast some doubts on Cossio.

The economy minister emphasized that he does not harbor "any doubts" about Cossio's honesty. He regrets, however, that Cossio did not give him "satisfactory explanations" on what was going on under his administration.

A question had been raised during the past few hours: Why did Cavallo appoint Hugo Gaggero, who was the National Bank vice president, as DGI head?

Cavallo struck back, saying: "Every time there is a case of corruption, those investigating these cases, like Gaggero, Dadone, or former Customs Administrator Gustavo Parino, ultimately become involved in them."

Concerning the corruption in the Economy Ministry, Cavallo said he does not harbor any doubt that it still exists because many people work at the Economy Ministry.

The economy minister emphasized that all this "does not represent infighting within the administration." He added: "It does not involve a struggle between Tacchi and Cossio, on the one side, and Cavallo, Gaggero, and Dadone, on the other."

The economy minister noted that "strong economic interests" are being used by "journalists and opposition congressmen as battering rams" behind this campaign against Economy Ministry officials.

Article Views New Violent Groups

PY1808162595 Buenos Aires CLARIN in Spanish 6 Aug 95 p 10

[Article by Daniel Juri]

[FBIS Translated Text] These groups claim they have the right to stage violent social protests; they have bolted leftist parties and Peronist [Justicialist Party] factions; and the government claims they are responsible for the disturbances in Cordoba, Salta, and San Juan.

Some — like the Quebracho [People's Movement of Quebracho Unity] militants — began their open activities on a precise date: 3 December 1993, during a march organized by the Argentine Workers Congress (CTA).

Others — like the Free Fatherland [Free Fatherland and We Will Triumph Movement] militants — started speaking out in the mid 1980's. They first trod electoral grounds when they joined the FRAL (Liberation Broad Front), a leftist coalition created during Raul Alfonsin's administration.

Today these groups are of concern to the government, which accuses them of promoting the violence that has characterized several social protests around the country. These protests involve pensioners, students, and dismissed workers. They are even believed to

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have participated in the demonstration last November to protest the visit of Prince Andrew.

"We have detected the repeated participation of persons linked with the Quebracho and Free Fatherland organizations during the conflicts in San Juan, Cordoba, Salta, and General Sarmiento," Interior Minister Carlos Corach snapped this week. The minister said he will file a complaint against them in court.

President Carlos Menem exhorted the 820 workers dismissed in Cordoba by the U.S. Lockheed company "to be patient and to avoid the game played by agitators." The president accused Quebracho and Free Fatherland of involvement in workers' protests in the city.

The leaders of the two organizations, who were placed center stage by the presidential speech, took advantage of the situation to say their piece.

"The government uses this excuse to avoid explaining the reasons behind the social conflict. It is clearly a smoke screen. They want people to believe the problem is not that 800 workers have been thrown out of a plant in Cordoba, but that Free Fatherland is there," Humberto Tumini, Free Fatherland secretary general said.

Guillermo Caviasca is the Quebracho militant who usually "shows his face" to the media. Like Tumini, he repeats the argument of the smoke screen and defends his group by saying that the government "wants to hide its adjustment plans behind these accusations."

Tumini, a militant of the Revolutionary Workers Party (PRT) in the 1970's, a political prisoner for several years, a native of Cordoba, and a former leader of Light and Force Union, said: "It is well known that we are important in Cordoba, but we are also accused of being involved in the demonstration to protest the public workers salary reduction in San Juan, where we do not even have a political organization."

Tumini then mentioned some of the demonstrations where the Free Fatherland was present: "The police arrested three of our militants and one Quebracho militant in the march against Prince Andrew. The police arrested one of our representatives in the teachers' association in Cordoba. They were all released within a few hours."

When someone mentioned the word "violence" he said: "We will support people when they answer in a violent manner, because this violence is being promoted by Menem."

Tumini admits his links with Quebracho, although stresses some differences: "They have an exaggerated vision of our political reality. They see people as being in a very advanced process of awareness and struggle. We think there is still much confusion."

Most Quebracho members are no older than 30. They were still crawling when in 1969 the Cordobazo [student and workers protest in Cordoba] shook General Juan Carlos Ongania's Argentine Revolution and many of them were still using primary school uniforms when the military ousted Isabel Peron from power.

They were born as an organization in La Plata university circles less than two years ago and they characterize themselves as "patriots and revolutionaries." They grew when leftist and Peronists joined them. They work at three levels: In neighborhoods, universities, and unions.

One of their leaders insisted that they have "comrades throughout the country," but when asked why one of their members appeared on television during incidents in Congress and again in Cordoba he said: "We have national meetings and our comrades travel throughout the country. The others are ghosts created by the government to divide the people."

The Quebracho leader rejected the political left because "they were always against the people, except for honorable exceptions, like when they acted in the ERP [People's Revolutionary Army] and Montoneros [guerrilla group]."

In the quick exchange of words provoked by this answer the Quebracho leader applauded the kidnapping and assassination of General Pedro Eugenio Aramburu [in the early 1970's], but hesitated over [the kidnapping of] entrepreneur Oberdan Sallustro in May 1972 [who was released after a large ransom was paid].

In a disorderly manner he also criticized former Montonero leader Mario Firmenich, made clear that he had nothing to do with [ERP fugitive leader] Enrique Gorriaran Merlo, and questioned the attack on La Tablada military barracks [in the late 1980's].

Quebracho — Name: People's Movement of Quebracho Unity. [Movimiento Popular de Unidad Quebracho] [quebracho is a very hard wood] — Founded: October 1993. — Legal registration: It does not have one. It is organized in 10 districts (Federal Capital, Buenos Aires, Misiones, Formosa, Neuquen, and Chubut, among others). —Main areas of operation: La Plata, western Greater Buenos Aires, and Misiones. — Party offices: One in La Plata shared with the "Resisting Peronism" group. — Number of militants: "Let the government find out," they answer. — Political origin: Peronism and leftist parties. — Historical reference: Che Guevara and Eva Peron. —

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Electoral presence: They called for blank votes or abstaining in the 14 May 1995 election. — Main leaders: Carlos Franca, Araceli Mastellone, Guillermo Caviasca, Fernando Esteche. — One phrase: "People must rebel, and if necessary, violate the law" (Guillermo Caviasca).

Free Fatherland — Name: Free Fatherland and We Will Triumph Movement [Corriente Patria Libre y Venceremos] (a university expression). — Foundation: November 1987. — Legal registration: In the Federal Capital, Buenos Aires, Cordoba, San Luis, Tucuman, Corrientes, and Catamarca. It has a political organization in other 14 provinces. — Party offices: 17 throughout the country. — Number of members: 16,000. — Political origin: Independent left, Peronism, Intransigent Party Youth. — Historical reference: Che Guevara. — Electoral presence: The movement joined the Resistance Front, which in the 14 May 1995 presidential election obtained 24,430 votes (0.14 percent). — Main leaders: Humberto Tumini, Marcelo Frondizi, Isaac Rudnick, Eugenio Reati, Juan Gallardo. — One phrase: "The government flustered the ghost of an upcoming armed struggle because four stones were thrown." (Humberto Tumini)

Di Tella Leaves for Australia, New Zealand

PY1808134995 Buenos Aires TELAM in Spanish 2301 GMT 17 Aug 95

[FBIS Translated Excerpt] Buenos Aires, 17 Aug (TELAM) — Foreign Minister Guido Di Tella today travelled to Australia and New Zealand. He will meet government officials and entrepreneurs from those countries and sign economic complementation agreements to promote trade relations.

On his transpolar flight, the minister is accompanied by telecommunications, agriculture, livestock, industry, mining, and service area entrepreneurs who are interested in deals in that region.

In New Zealand, the minister will announce the reopening of the Argentine Embassy, which had been closed since 1982, as an expression of the headway achieved in bilateral relations.

The minister will arrive in Australia on the evening of 18 August. He will meet Prime Minister Paul Keating, Foreign Minister Gareth Evans, and Trade Minister Bob McMullan.

Di Tella will raise with the Australian Government officials the prospects for offsetting the trade balance, which is extremely unfavorable for Argentina, and will report on possibilities for investments of productive capitals in Argentina. [passage omitted]

The foreign minister's first tour of Australia and New Zealand is scheduled to end on 25 August.

Petrella Views Syrian Gain of Nuclear Technology

PY1808153395 Buenos Aires TELAM in Spanish 1327 GMT 18 Aug 95

[FBIS Translated Text] Buenos Aires, 18 Aug (TELAM) — Vice Foreign Minister Fernando Petrella today emphasized the significance of Syria's decision to choose Argentina to supply scientific technology materials, including radioactive isotopes and the possible sale of a 5-megawatt nuclear reactor for medical purposes.

Petrella explained: "It is very significant for Syria to have chosen Argentina and it has done so for two reasons: first, because of Argentina's proven technological capacity; and second, because Argentina respects international standards."

The vice foreign minister told Radio 990: "Syria knows Argentina is a reliable supplier because it is a serious country that in no way will implement a pliable policy."

The vice foreign minister said: "Argentina will always observe the standards established by the International Atomic Energy Agency, the National Commission for Atomic Energy [CNEA], and national laws."

Foreign Relations Under Secretary Guillermo Gonzalez and Ibrahim Othman, the head of the Syrian Atomic Energy Directorate, yesterday signed a letter of understanding on bilateral cooperation in scientific and technological matters.

Petrella said the letter of understanding "establishes the basis for the cooperation between Argentina and Syria," adding: "It establishes the materials that Argentina can supply, the deadlines, and the timetables."

The vice foreign minister said: "The letter of understanding establishes that the petitions raised by Syria, including the possibility of supplying a reactor, will be reviewed within two years."

Petrella added: "The fact that we have managed to secure work for Argentine professionals within the CNEA regulatory department is very favorable. The CNEA handles this type of technology."

Business Federation Supports Minister Cavallo

PY1808124995 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2311 GMT 17 Aug 95

[FBIS Translated Text] Buenos Aires, 17 Aug (NA) — The very influential Group of Eight — which repre-

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sents the most powerful entrepreneurial associations in the country — today granted its "most emphatic support" to the government and particularly to Economy Minister Domingo Cavallo, whom they say is responsible for implementing "the policy of transformations of President Menem."

The Group of Eight thus expressed clear support for the economy minister after he was forced to deny he would resign following a new dispute with ruling party legislators.

The short four-paragraph communique, entitled "To Persevere in the Transformation" was approved after a two-hour discussion, which shows that there was some opposition within the group that only expresses its opinions following a unanimous agreement.

In their communique, the entrepreneurs point out: "We express our most emphatic support for the transformation policy pursued by President Menem and implemented by Minister Cavallo." The communique was read by Julio Gomez, the Argentine Banking Association [ABRA] president, who hosted the meeting.

The meeting was attended by Gomez, Jorge Blanco Villegas (UIA) [Argentine Industrial Union], Manuel Sacerdote (ABRA), Eduardo Escasany (Adeba) [Association of Argentine Banks], Julio Macchi (Stock Exchange), Jorge Di Fiori (Argentine Chamber of Commerce), Aldo Roggio (Argentine Construction Board), Enrique Crotto (Argentine Rural Society), and Gregorio Chodos (Argentine Union of Construction Enterprises).

CAC President Francisco Macri and UAC President Monir Madcur did not participate in the Group of Eight meeting.

The communique notes that "this is a very special time for" our country. It asks the society to remain firm because "the current situation is not like past situations, which involved decadence, downsizing, and deterioration."

The communique states: "A lot has been done and a lot is to be done to achieve sustained growth. It is necessary to continue to implement substantial measures like those that the government had the courage to implement recently, measures that will reinstate a favorable atmosphere for investments."

The entrepreneurs admit that the communique was reworded many times. Furthermore, while Gomez read the communique to the journalists, Macchi was still asking Di Fiori if one of the four paragraphs should not have been drawn up differently.

After the meeting, Crotto discussed the disagreements within the government, emphasizing: "We have always been concerned over these disagreements. We believe it was important for us to voice our opinion at this moment."

The Argentine Rural Society president noted that he is "very concerned" over the confrontations within the government. He said: "If there are significant disagreements, it is essential not to express them outwardly."

Di Fiori noted that entrepreneurs are "convinced that Minister Cavallo has implemented the economic line established by the president since the beginning of his administration, with a qualified and professional team."

Budget To Be Balanced With Privatization Funds

PY1808212095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1240 GMT 18 Aug 95

[FBIS Translated Text] Buenos Aires, 18 Aug (NA) — Finance Secretary Ricardo Gutierrez has emphasized: "The accounts will be balanced with the funds raised by privatizations alone."

Therefore, the finance secretary admitted that the targeted revenues indicate that "this year's budget will be balanced with the funds raised by privatizations alone."

Gutierrez made it clear that, during this fiscal year, he hopes to collect between "$1.5 and $2 billion." "Even though these funds will be collected in installments, they will be discounted over the banking system through promissory notes," he explained.

In a report published by the morning newspaper AMBITO FINANCIERO today, the finance secretary, who is also in charge of public revenues, said: "The serious struggle that we are waging against [tax] evasion is to compensate for a reduction in revenues that might be prompted by a reduction in company contributions."

The finance secretary added: "I believe that a reduction in company contributions will not involve a reduction in total contributions in the medium term, bearing in mind that a reduction in company contributions represents an encouragement against evasion and the inclusion of new contributors."

Bolivia

Brazil Takes Precedence Over Chile in Sale of Gas

PY1908005995 Cochabamba LOS TIEMPOS in Spanish 2 Aug 95 p A2

[FBIS Translated Excerpt] La Paz, 1 Aug — The national government acknowledged today that negotiations over the sale of natural gas to Chile have for the time being "been frozen" in light of the fact that sales of Bolivian gas to Brazil take precedence. The government

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expects to close the deal on the construction of a gas pipeline linking "Vuelta Grande and Sao Paulo" with the definitive signing of the respective contract on 17 August.

Although he did not use the word "frozen," International Economic Relations Secretary Mario Reyes Chavez conceded that the government gave top priority to the energy project with Brazil rather than continuing negotiations with Chile as the government considered that the gas project between Bolivia and Brazil had entered the last and definitive stage and will become a reality on 17 August.

Reyes Chavez said: "For the time being, we are not carrying out negotiations with Chile. We are concentrating all our efforts on the gas project with Brazil. We have made no progress in our negotiations with Chile so there is no justification for continuing them." He declared that a high-level — Managing Committee — meeting was recently held in the city of Santa Cruz between government representatives from Bolivia and Brazil, who established working responsibilities since they must meet the 17 August deadline for defining several "loose" points established in the "Addendum" signed by President Gonzalo Sanchez de Lozada and his former [Brazilian] counterpart, Itamar Franco. [passage omitted]

Minister Confirms Continued Eradication of Coca

PY1808234695 La Paz LA RAZON in Spanish 5 Aug 95 p A13

[FBIS Translated Text] Cochabamba, 4 Aug (LA RAZON) — Government Minister Carlos Sanchez Berzain said that approximately 2,800 hectares of coca were eradicated so far in the Chapare as part of the voluntary and compensated medium-term plan that includes the eradication of up to 5,400 hectares of coca by December 1995.

Sanchez Berzain added that the new coca and nurseries which were planted after 1 April will inevitably be destroyed, especially in the Isiboro-Secure National Park, where all coca cultivations are illegal. He added that the eradication of new coca cannot be negotiated or stopped.

Sanchez Berzain also disclosed that so far the government has spent about $7 million for eradicating approximately 2,800 hectares of coca.

He said the medium-term plan, which includes the eradication of 5,400 hectares by the end of this year, will be fulfilled.

He also said the Bolivian Government is currently using about $24 million for the implementation of an alternative development program to replace coca with other profitable products.

He said the Bolivian Government began gathering information on the needs of peasants of the Cochabamba tropical region to prepare the 1996 budget with the view to request aid from the international community and donating organizations in order to continue the coca eradication and alternative development plans.

Sanchez Berzain also said that in the next few days he will summon the organizations in charge of implementing the alternative development program to report on the progress of the different projects, which are being improved and better implemented. Because, he said, most of the peasants want to change illegal coca growing for alternative products such as bananas, pineapples, maracock fruit, tea, and other products.

Sanchez Berzain denied the comments by coca growers that the alternative development program is a real failure. He said: "Had the alternative development been a failure, there would no bananas and pineapples being exported to neighboring countries."

He also confirmed that on 12 August, negotiations will continue in Aroma, Isiboro-Secure National Park, for the eradication of new coca and coca nurseries without the need to resort to force. He said the negotiations will also help to seek structural alternatives for solving the serious problems in the Isiboro-Secure National Park, which has been invaded by illegal coca and unauthorized settlements.

Sanchez Berzain said that the Ecological Police and the Umopar [Mobile Police Unit for Rural Areas] continue to operate in the Isiboro-Secure National Park to prevent new coca growing and the proliferation of coca nurseries.

Umopar Announces Extension of Antidrug Operations

PY1808144495 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 18 Aug 95

[Report by Hans Soria from Cochabamba]

[FBIS Translated Text] I can confirm that Colonel Luis C. Caballero, commander of the Chimore Mobile Police Unit for Rural Areas [Umopar], has reported that the Aguas Claras 2 antidrug operation is in its third stage and has been extended to the communities of Uncia and San Gabriel inside the Isiboro-Secure Park.

He assured me that no violence has taken place, and that no peasants or traffickers have been arrested near the cocaine factories or macerations pits. Nevertheless, he added, at least five cocaine factories and 10 maceration

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pits were destroyed in addition to the seizure of a considerable amount of coca and chemical precursors in San Gabriel. In Uncia, five maceration pits and eight abandoned cocaine factories, precursors, and 2,468 square meters of coca seedbeds, and 4,580 square meters of coca planted after 1 April were destroyed.

He added that the Aguas Claras 2 operation, in its third stage, will continue during the next few days and, according to events, will be extended to other areas.

Authorities Raid of Isiboro-Secure Park Viewed

Army, Police Troops Occupy Park

PY1808141695 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 18 Aug 95

[FBIS Translated Text] The coordinating board of the tropical region coca growers associations has reported that between 1000 and 1100 yesterday morning, some 500 Army and police troops violently occupied the peasants communities inside the Isiboro-Secure Park and unleashed a climate of tension and alarm among the people.

German Felipez, leader of the Coordinating Board, has reported that some 500 agents of the Mobile Police Unit for Rural Areas [Umopar], ecological police, and Army troops, supported by helicopters and planes that overflew the area, began the forceful eradication of coca crops in the communities of Uncia, Bolivar, and San Gabriel.

The peasant leader said that at dawn, about 30 large and small trucks loaded with police and Army troops passed through Isinuta as if they were going to war, adding that peasants from the unions of Uncia, Bolivar, and San Gabriel confronted the joint forces. About 15 of them were arrested and their houses were raided, in addition to several other abuses committed by the police repression.

After receiving information via telephone from Isinuta, the main town of access to the Isiboro-Secure Park, Felipez expressed fear that the police incursion may generate more violence, more confrontations, and even bloody actions, because the peasants are resolutely determined to defend their coca crops with their lives if necessary. He added that all roads and paths to the Isiboro-Secure Park are under police and military control, and that continuous dragnet operations are carried out by land and by air against the peasant communities in the zone.

Concerned over possible new bloody events that can take place, the coca growers' leader demanded the immediate presence of the human rights assembly and of the Catholic Church to prevent useless sacrifices. He said that all self-defense committees and control brigades will probably establish roadblocks or hunger strikes at any moment to prevent police repression at the Isiboro-Secure Park.

Felipez said coca growers have reaffirmed their willingness to talk directly with the president of the Republic, adding that now he understands why the president does not want to talk: he would rather impose repression than talk.

He holds Government Minister Sanchez Berzain of being responsible for the confrontations and bloodshed that could take place during the police repression in the area. Felipez added that townspeople from Totora, Santisima Trinidad, Urtupina, and Puerto Patino, which are near Uncia and Bolivar, fear that the police repression could be extended to their communities, and have established controls and surveillance round-the-clock to prevent the presence of the joint forces and the forceful eradication of coca crops.

General Reynaldo Caceres Quiroga, commander in chief of the Bolivian Armed Forces, has admitted that there are plans to order the military intervention in the coca eradication process in the Cochabamba tropical region. Gen. Caceres said there are always plans for all activities, but this is not based on arbitrary situations. We must be prepared and adopt measures to prevent things from becoming aggravated.

Coca Leader Reports Killing

PY1908032295 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 18 Aug 95

[FBIS Translated Excerpt] The clashes that ensued today in Tacopaya at the Isiboro-Secure National Park between the Mobile Police Unit for Rural Areas, UMOPAR; ecological police; and local settlers resulted in one dead, several injured, and dozens of arrests.

Felipe Caceres, leader of the Tropical Region Coca Farmers Coordinating Board [Coordinador Cocalera del Tropico], has confirmed that a peasant who has yet to be identified was killed by UMOPAR troops in La Boca, about 20 km from Uncia. [recorded passage omitted]

Felipe Caceres has demanded the immediate presence of the congressional human rights committee in the Isiboro-Secure Park region to clarify the death of the peasant and to safeguard the constitutional rights of Bolivian peasants.

According to the General Trade Union Confederation of Bolivian Peasant Workers [CSUTCB], the social defense secretary is distorting and manipulating reports about the current situation in the Chapare region and the Isiboro-Secure Park.

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CSUTCB Relations Secretary Nestor Bravo said that Social Defense Secretary Victor Hugo Canelas is the official responsible for this situation. He said that Canelas originally denied the death of peasant Juan Ortiz but later admitted it, and that this evidences the manipulation and distortion of facts about the situation in the area.

In addition, Bravo stated that Canelas had irresponsibly accused coca farmers leaders of protecting drug trafficking by distorting the facts.

Quoting a phrase from "Martin Fierro" [Argentine epic poem]; namely, curses come home to roost, CSUTCB Leader Bravo said that in view of this, there is doubt about which side is combating drug trafficking and which side is protecting it.

Brazil

Cardoso Attends New Embraer Jetliner Test Flight

PY1908033895 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 18 Aug 95

[Report by Luciana Marinho in Sao Paulo]

[FBIS Translated Text] President Fernando Henrique Cardoso today participated in Sao Jose dos Campos in the launching of the first Brazilian jetliner, the EMB-145 aircraft, which has been manufactured by the Brazilian Aeronautics Company [Embraer].

Cardoso's plane landed at the military airport of the Aerospace Technical Center in Sao Jose dos Campos, Sao Paulo State, where he was welcomed by Sao Paulo Governor Mario Covas.

Cardoso was widely applauded when, speaking from the reviewing stand, he delivered a speech advocating peace. He emphasized that Brazil will not build missiles, which are weapons of mass destruction.

Cardoso attended the official, public presentation of the new Embraer jet aicraft, the EMB-145, which is the first Brazilian-made passenger jetliner and which can carry up to 50 people. Prior to the first official test flight, which lasted 20 minutes, Cardoso christened the aircraft with a bottle of champagne and congratulated the crew. Each EMB-145 aircraft will cost $14 million. Embraer has already received confirmed orders for 18 aircraft and letters of intent for 127 aircraft. The main competitor of the EMB-145 is the Canadian Canader RJ, but the Embraer's plane is more competitive regarding both price and operation costs.

After the launching ceremony, Cardoso flew to Resende, Rio de Janeiro, on board a military helicopter.

Latin American Parliament To Fight Drug Trafficking

PY1808134395 Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 Aug 95 p 4

[FBIS Translated Text] Sao Paulo — The Latin American Parliament Committee for Defense and Struggle Against Drug Trafficking, which comprises deputies of several countries, opened a meeting in Sao Paulo on 16 August. They are concerned about the growing infiltration of cocaine cartels in the political structure and in the governments of Latin American countries. Venezuelan Deputy Luis Emilio Rondon (Democratic Action) said: "We must coordinate Parliament action to decontaminate the institutions." He mentioned the fragility of Latin American institutions, like in Colombia where drug cartels contributed to President Ernesto Samper's campaign.

Rondon suggested creation of a system to supervise the origin of funds used by all candidates for municipal and elective posts. He predicted that following the Colombian crisis and the action of international repressive organs against the Colombian cartels, Venezuela and Brazil — because of their geographical location — will become potential targets for drug trafficking.

Supreme Federal Court Ends Fiscal War in Para State

PY1808124195 Sao Paulo AGENCIA ESTADO in Portuguese 2230 GMT 17 Aug 95

[Report by Vnanildo Mendes]

[FBIS Translated Text] Brasilia, 17 Aug (AE) — The Federal Supreme Court (STF) today unanimously reversed a decision by the Para legislative assembly to the state government to grant fiscal incentives on the basis of the Goods and Services Movement Tax (ICMS). The decision thus ended a fiscal war that several states were waging for attracting investment. The STF stated that even though the ICMS is collected by the states, the tax is national and affects all states and municipal districts.

In Article 12 of the legislative assembly authorization, which had legal binding power, the Para governor is permitted to totally or partially hand over ICMS revenues. The attorney general's office filed a request with the STF, asking the court to declare the unconstitutional nature of Para State Law No. 5780/93. Celso de Mello, a court member and rapporteur, stated that the law opposes several constitutional principles and encourages predatory practices among the states. De Mello claimed: "The states are not juridically free to unilaterally grant incentives through the ICMS."

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The STF decision states that as far as granting fiscal incentives linked with the ICMS is concerned, the taxation jurisdiction of all the states and the federal district are subject to constitutional restrictions. The Constitution sets forth that this type of benefit should be ruled by a supplemental law, but since no supplemental law has been approved, the previous rule remains in force. Based on existing laws, national tax exemptions must be approved by the National Financial Council which is made up of state financial secretaries. Without a consensus, the exemption is not approved.

The STF also stated that the Para legislative assembly (like those of other states) cannot empower the state governor to order through decrees, tax exemptions, reductions, taxation amnesties, parceling of debts, or reductions in taxation percentages, for which decisions the Constitution demands a law. That is, a legislative assembly may not transfer to third parties a task that —by virtue of the Constitution — must be undertaken by the assembly itself.

This is not the first time the STF has barred attempts of unfair competition between states. Former Sao Paulo Governor Luiz Antonio Fleury Filho, for example, granted some benefits after handing over ICMS revenues. Former Parana Governor Roberto Requiao appealed the decision and the court granted his request through a preliminary resolution. In Pernambuco, the legislative assembly authorized the governor to issue decrees only for state taxes, but the STF reverted the decision.

Since 1965, Celso de Mello stated, lawmakers have intensified their efforts against the predatory war between the states. "Otherwise, the harmony that must be the guiding objective of the federal principle runs the risk of collapsing," he added. Since the STF resolution aims at preventing future violations of the law, it will not apply to the Para enterprises that have already obtained fiscal incentives. Celso de Mello explained that if this spirit prevails when the resolution is subject to judgment, it will be retroactive because there is no vested right to violate the Constitution.

Government To Pay R435 Million to Bank Depositors

PY1908004395 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 18 Aug 95

[FBIS Translated Text] Finance Minister Pedro Malan has announced in Rio de Janeiro that the Brazilian Government will pay 435 million reals [R] next week to customers possessing demand deposits and savings accounts at the Economico Bank. Approximately R370 million of this amount will come from the FGLDI, Guarantee Fund for Deposits and Real Estate Certificates, which had been created to make payments to depositors of banks having difficulties.

Malan said the Central Bank [BC] has already paid $13 million to the U.S. Federal Reserve Bank to cover a debt of the Economico Bank. The BC has thus complied with U.S. regulations governing banking operations overseas.

Central Bank To Pay Economico Bank Foreign Creditors

PY1808190395 Rio de Janeiro Rede Globo Television in Portuguese 1600 GMT 18 Aug 95

[FBIS Translated Text] A new controversy has developed in the crisis caused by the decision to put the Economico Bank under the management of a trustee. Just a week after the decision that agitated the financial market and shook the government bloc in Congress, the Central Bank has provoked a new wave of protest. The Central Bank decided to pay the debts owed to Economico Bank foreign creditors.

The controversy began after today's issue of GAZETA MERCANTIL hit the streets. In a headline, the newspaper reported that the Central Bank is paying Economico Bank foreign creditors and investors.

The Central Bank justified its decision on the grounds that it is required by international law.

The news, however, irritated Bahia lawmakers, who are negotiating the end of the intervention in the Economico Bank. Local bank clients will be allowed to withdraw funds up to 5,000 reals as of 21 August.

Miriam Leitao will now tell us about this new controversy.

[Begin Leitao recording] On 14 August, the Central Bank decided not to pay the foreign creditors. Several international banks, however, warned that if the loans they made to Economico Bank were not repaid, other credits to Brazilian enterprises and banks would not be renewed.

They have good reasons. Brazilian bank securities guarantee investments of U.S. and European clients, that is, nonpayment would harm foreign savers.

The Central Bank bowed to the risk of Brazil having no foreign credit. Yet this will create internal problems. Now a different criterion has been adopted for Brazilian savers. [end recording]

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Bahia Government Said To Lack Funds for Bank Debt

PY1908034795 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 18 Aug 95

[FBIS Translated Excerpt] The Bahia state government does not have enough money to meet the Central Bank demands and take control over the Economico Bank. The Economico Bank offices will open for account holders to make withdrawals of as much as 5,000 reals, R, from their accounts and savings passbooks only next week. [passage omitted]

Bahia Governor Paulo Souto said today that the state government is seeking other ways of putting an end to trusteeship over the Economico Bank:

[Begin Souto recording] We must, naturally, look for other alternatives. One of them would undoubtedly involve a great effort of local mobilization to find new partners who can assume the bank's stock ownership control. [end recording]

Senator Antonio Carlos Magalhaes, who is already in Salvador, believes in the federal government's good will, but criticized the Central Bank decision to allow Economico Bank foreign investors and account holders to begin withdrawing their money from the bank. [passage omitted]

Four Petrochemical Companies To Be Privatized

PY1808214795 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 18 Aug 95

[FBIS Translated Text] The National Privatization Council has decided to privatize, through stock auctions, four petrochemical companies. They are: CPC [Companhia Petroquimica de Camacari], Salgema and CQR [Companhia Quimica de Reconcavo], EDN [Estireno do Nordeste], and Polipropileno. The government expects to raise 250 million reals [R] with these auctions.

The National Privatization Council also decided to lease, for a 30-year period, two federal railroad stretches. The first one is the Bauru-Corumba line worth a minimum of R50 million. The other one is the Center-East rail line worth a minimum of $270 million. Planning Minister Jose Serra said that for 30 years the government will no longer have to pay for the operational losses of these rail lines.

[Begin Serra recording] This is a very important case because the purpose is not strictly to obtain a profit, but to stop using public resources to pay for losses. [end recording]

The bid offers will be ready for publication in two months. Contracts with the winning companies will be signed by February 1996.

Meanwhile, the Federal Railroad Network [RFF] will implement a voluntary early retirement program for 21,000 employees to facilitate the lease transaction to the private sector. The 21,000 employees represent a little more than half of the employees of the Federal Railroad Network, which is already carrying out negotiations with the World Bank to finance this program. RFF President (Isaac Popuch) said that the dismissals will be carried out in a rational manner by relocating the dismissed workers on the labor market.

Malan To Retain Dallari in Position

95SM0469C Sao Paulo GAZETA MERCANTIL in Portuguese 10 Aug 95 pp A-1, A-5

[Article by Claudia Safatle: "Dallari Remains To Prevent New Pressures"]

[FBIS Translated Text] Brasilia—Dallari has been given a chance. In an official note released by the Ministry of Finance late yesterday afternoon, it was announced that the Secretary for Economic Monitoring, Jose Milton Dallari, would remain in the administration while the federal revenue secretariat completed its investigation into Dallari's ties with the Decision consulting firm, which provides services for large companies. "Dismissing him in the present circumstances would be equivalent to denying him the right to defend himself," the note emphasized.

The decision to retain Dallari, which was made by Minister Pedro Malan after hours of talks with the secretary, his closest advisers, and President Fernando Henrique Cardoso himself, appears to be a gesture of more long-term significance.

It is no news to anyone that high-level officials in the administration came from private enterprise, as has been the normal practice in public administration for years. Planalto Palace was also aware that the opposition parties that have now filed complaints about Dallari had already learned of the existence of a list of names which, according to one Planalto adviser, would be "up next" if Dallari were dismissed or temporarily removed from office.

"Minister Malan's decision, fully supported by the president, puts a stop to any possibility that people will be able to file complaints and secure the removal of government advisers without producing any proof," said an adviser to President Fernando Henrique Cardoso.

Upon being sought out yesterday by various reporters, Secretary of Economic Policy Jose Roberto Mendonca

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de Barros, a partner in MB Associates, a consulting firm established in 1978, provided copies of the notarized document showing that he had severed his ties with the firm in order to take public office. His shares in the firm were sold.

Secretary of Federal Budget Waldemar Giomi, who owned a small consulting firm in Jundiai, Sao Paulo, that advised a few municipalities, yesterday told this newspaper's reporter Rodrigo Mesquita that after taking office last year, he had dissociated himself from the firm, which he himself described as "a consulting firm operating out of the backyard." The executive secretary of the Ministry of Planning, Andrea Calabi, who was also a partner in a consulting firm specializing in privatization programs, and Central Bank director Francisco Lopes, one of the partners in Macrometrics, were other individuals who might have been mentioned in that possible effort by the opposition parties to move ahead with other complaints.

"It is not necessary for government advisers to divest themselves of their holdings to join the public administration. What is prohibited is their continuing to provide services for private enterprise while holding public office," an adviser to Planalto Palace pointed out. The result is that until it is proven that Dallari took advantage of his position to promote the Decision firm's business, he cannot be fired without being entitled to defend himself, said another source.

"Only the honest behave in that way," the palace source commented. "Now we will wait to see what the political cost of that decision will be."

The official note from the Ministry of Finance confirms that the investigation of Dallari began last year, that Minister Pedro Malan learned of the investigation as soon as he took office, and that the investigation has not yet been completed.

It also points out that Dallari said he could answer every one of the allegations, and that he "denied explicitly and categorically having signed or initialed any receipts issued by the firm, in which he owns shares, after he assumed duty in the government."

At the same time that he decided to keep Dallari in his post, Malan instructed Federal Revenue Secretary Everardo Maciel to complete a "full clarification of the facts as quickly as possible" and to investigate the "improper publication of documents pertaining to the procedure initiated in the federal revenue secretariat."

According to the spokesman for the president's Office, the decision to keep Dallari at his post was not a reflection of political calculations on the part of the administration. "The administration is concerned not about its position but with behaving correctly. We do not operate on the basis of political calculations," Amaral said.

Bank of Brazil Shows Record 1995 Losses

95SM0470A Sao Paulo VEJA in Portuguese
2 Aug 95 pp 116-117

[Article: "Without Avon's Help"; introductory paragraph in italics as published]

[FBIS Translated Text] *The Bank of Brazil presents an unvarnished financial statement and reveals a record loss for the six-month period.*

With a network of 5,000 branches, 100,000 employees, and 20 million customers, the Bank of Brazil [BB] turns over twice as much money as Bradesco [Brazilian Discount Bank] and the Itau Bank combined. It is a giant. Last week, as it published its financial statement for the first six months, the bank presented figures resulting from the poor use of all that giantism. From January through June, it recorded a loss of 2.4 billion reals, the biggest since it was founded in 1808. Announced on Thursday, the BB's deficit had two immediate consequences. One affects the stockholders, who will receive no dividends. The other is the incredible 30-percent rise in the value of the bank's shares on the stock market in July, when the market was already expecting the loss. The fact is that despite being disgraceful, the deficit shows that the current board of directors does not seem inclined to continue the habit of doctoring financial statements to hide the truth from the taxpayers. "Previous boards of directors wanted to pretend that everything was rosy," Gil Aurelio Garcia, the BB's accountant, explains.

Besides the Bank of Brazil, 13 private banks have also published their balance sheets, all of them showing a profit. That leaves 211 banks, which have until 31 August to follow suit. Only then will it be known how the system behaved during the first half of the year. Of the large banks, only two—the National Bank and Amerindus—have published their financial statements. The most eagerly awaited financial statement—that of the Economic Bank—has not yet been released. Based on the data available so far, it appears that the sector's profitability is up from 16 to 18 percent this year, but the default rate has tripled. In other words, loans are yielding more deadbeats than usual. "It was a very tight six months," says Mauricio Schulman, president of Febraban [Brazilian Federation of Bank]. The Economic Bank will tell the tale.

Last Tuesday Angelo Calmon de Sa met in Rio de Janeiro with his four partners in the Bahia petrochemical industry to discuss the future of the bank, which has

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avoided the threat of bankruptcy thanks to frequent rediscounting at the Central Bank. Calmon de Sa's dream is to rescue the bank with the help of building contractor Emilio Odebrecht. In the discussion, Odebrecht made it understood that he might indeed accept the deal, but on very special conditions. While having no interest in the financial market, the Odebrecht firm might take over the company provided that it could pay for its shares not in cash but in loans due from the government. In other words, the treasury would honor its debts to Odebrecht, and the construction firm would use that money to buy its shares in the new company. It looks like a good deal, but it is not. The problem with it is that all of the government's suppliers are also owed money, and if Odebrecht is the only one to get paid, the question will arise as to why some creditors receive better treatment than others. More than a simple sales agreement between private firms, the transaction could turn into a headache over public money.

Sugarmill Owners and Ruralists

The figures and percentages in the Bank of Brazil's financial statement show that Brazilian politicians have a copy of the key to its coffers. They go there constantly to get money and return only to get more, not to pay anything back. Good banking practice does not recommend it, but the Bank of Brazil has opened a money pipeline to deadbeats. The sugarmill owners in the northeast, for example, owe one billion reals and pretend that it is no concern of theirs. The ruralists owe another 3.3 billion reals and do not even make a pretense of concern. If it were well managed, the BB would foreclose on those people, auction off their property, and reduce its default rate to civilized levels. It could show a profit and pay dividends to its biggest stockholder, the Federal Government, which would then have more money with which to combat poverty or help Minister Adib Jatene cover the shortfall in the Ministry of Health without the IMPF [provisional tax on financial operations] (see the story on page 23 [article not translated]). "The bank was a mother to the debtors," says the BB's financial director, Carlos Gilberto Caetano, who has been closing in on the deadbeats.

Defaulting on loans was responsible for 1.6 billion of the 2.4 billion reals in losses suffered by the BB. If that money had been repaid on time, the BB would have collected—including interest and monetary correction—the equivalent of 1.9 billion reals during the six months in question. All things considered, that alone would have turned the BB's loss into a profit of 1.1 billion reals. The problem is that the bad example begins at home: in the national treasury, which owes 4 billion reals to the BB. Last week the treasury admitted responsibility for only half of that debt. The BB took stock of itself, without Avon's help, only on orders from its president, Paulo Cesar Ximenes, who is known in the industry for not having much play in his belt—a virtue when one is handling public money. Ximenes has already closed 94 branches in Brazil and eight abroad, a move that will save 100 million reals annually. Never in the BB's history has its president been known to close branches wholesale instead of opening more. Last month, thanks to a program of voluntary retirements, the BB got rid of 13,000 employees. Another 5,000 retired or were fired. The goal is to reduce the 8-billion-real payroll by 25 percent.

An austere management program is also being promised by the Federal Savings Bank. The strategy there is to collect the debts owed by banks now in the process of being liquidated by the Central Bank. Those debts account for 40 percent of the institution's 4.2 billion reals worth of doubtful debts. The BB and the Federal Savings Bank have waited too long to make cutbacks and increase their productivity. Layoffs have been taking place in the private financial system since 1986. Bradesco had 140,000 employees back then. Today it has 55,000. Between March 1990 and December 1994, a total of 190,000 jobs in banking were eliminated. "Only now have the government banks discovered that the hour of truth has arrived," says Mauricio Schulman.

BC Accepts Banerj Accord in Principle

95SM0469B Sao Paulo GAZETA MERCANTIL in Portuguese 10 Aug 95 p B-4

[Article: "BC Accepts Banerj Accord"]

[FBIS Translated Text] The Central Bank (BC) accepts in principle the general terms of the Rio de Janeiro State government's proposal regarding Banerj [Rio de Janeiro State Bank]. This was announced to the O GLOBO Agency by the Central Bank's director of monetary policy, Alkimar Moura. He declined to comment on any specific item in Governor Marcello Alencar's plan for Banerj and stressed the expressions "in principle" and "general terms." "The Rio de Janeiro government's proposal takes the position that the BC's opinion is correct and deserves the closest attention," Alkimar said. According to another source in the BC, there is a problem with Rio's proposal: the state government wants to continue to hold power over Banerj even if its shareholding interest is reduced. That would repel possible investors interested in the privatization of Banerj.

That is precisely the problem that exists with Banespa [Sao Paulo State Bank]. The BC feels that Banerj

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and Banespa need to be privatized. But the state governments want to retain their decisionmaking power over the banks, at least in the early stages. Alkimar said that the BC would negotiate with Sao Paulo's Secretariat of Finance to modify the privatization model for Banespa in view of the receptiveness shown by the private banks at meetings held recently. But he avoided commenting on those banks' lack of interest.

The director of the BC also declined to discuss the possibility of intervention by the BC in the Economic Bank or the approval by the National Monetary Council (CMN) of a line of credit with a longer term for banks. Lacking liquidity, the Economic Bank is currently obtaining BC financing from the only two lines of credit available: the overnight (rediscount) facility and another with a term ranging from one week to 15 days.

Differentiated Financing

When asked whether the BC might grant the Economic Bank differentiated financing, Gustavo Loyola answered last week that if the BC did anything different, it would base its action on public rules approved by the CMN. It was the CMN which, in June 1993, canceled the six-month to one-year financing that the BC had been granting to banks in trouble. According to one expert at the BC, that was done for the purpose of getting the attention of the state banks and signaling the state governments that the Federal Government wanted to see more austerity. He said that based on experience prior to June 1993, the rules for that type of financing would be written "in less than 10 minutes."

The same expert says, however, that "the BC is afraid that authorization to grant financing will encourage the banks to take a bigger risk by submitting a recovery plan for the financial institution and meeting the goals set by the BC."

Banespa Privatization Talks Continue

95SM0469A Sao Paulo GAZETA MERCANTIL in Portuguese 10 Aug 95 pp A-1, B-4

[Article by Fernando Dantas: "Suggestion for Banespa"]

[FBIS Translated Text] Sao Paulo—The strongest recommendation by the bankers during their recent meeting with the Central Bank (BC) and the Sao Paulo government to discuss the privatization model for Banespa [Sao Paulo State Bank] was not concerned with the makeup of shareholders or the future management of the bank under government intervention. Their most trenchant suggestion was that the Sao Paulo government hand assets over to Banespa as a way of paying off its debt to the bank.

That suggestion is very different from the proposed model under discussion, which called for the Sao Paulo government to use its assets only to guarantee its debt to Banespa. As Luiz Cesar Fernandes, president of the Pactual Bank, explains, assets pledged as a guarantee mean very little in a country where the difficulties involved in running a state are tremendous. The bankers' proposal is that Sao Paulo pay its debt with assets, a process known technically as dation in payment or payment in kind.

Sao Paulo's electric industry is pointed to by the bankers as a potential source of assets for a major dation in payment operation to pay off Sao Paulo's debt to Banespa. Sao Paulo Secretary of Energy David Zylberstajn vehemently resists the idea. "In my opinion, this proposal should not be accepted," he says. "I would like it, too, for myself; it may be the best deal for the bankers, but not necessarily the best deal for the state and chiefly the taxpayers, who own Banespa and the electric industry," he insists.

It is Zylberstajn himself, however, who reveals that the proposal is already being given some consideration by the Sao Paulo government. He met recently with Secretary of Finance Yoshiaki Nakano, and the discussion revolved around Porto Primavera, an unfinished hydroelectric plant owned by the Sao Paulo Power Company, Inc. (CESP). The subject under discussion at that meeting was simply the use of Porto Primavera for a dation in payment of Sao Paulo State's debt to Banespa.

"Porto Primavera is a possibility," the secretary says. "It is an isolated case, and (its dation in payment of Sao Paulo's debt to Banespa) will not jeopardize the restructuring of Sao Paulo's electric industry," he adds. On the list of assets that might be used in an operation of that kind, Zylberstajn also includes the two power plants in the Canoas complex, which are also unfinished.

Porto Primavera has a book value of five billion reals, but its actual value, according to Zylberstajn himself, is between three billion and 3.5 billion reals. Market sources put its value significantly below that. If the plant is used for dation in payment, the crux of the problem will be the amount by which it would reduce Sao Paulo's debt. As far as the CESP and the Sao Paulo electric industry are concerned, it would be worthwhile to give up Porto Primavera, which is continuing to eat up scarce funds and will require an expensive write-off (absorption of loss) to correct the difference between its book value and its actual value.

Another option within the electric industry for paying off Sao Paulo's debt to Banespa has been mentioned by Pedro Bodin, director and partner in the Icatu Bank. It involves using entire firms or a portion of the capital

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stock in those firms for dation in payment. "The electric industry in Sao Paulo seems to have a well-managed and competent plan," said Bodin. He and Fernandes of the Pactual Bank took part in the talks with the BC and the Sao Paulo government regarding Banespa. But handing over firms or shares in firms is precisely what Zylberstajn rejects, feeling that it "jeopardizes the restructuring program."

Among the bankers who discussed Banespa with the BC, there are no illusions about the political difficulties involved in a dation in payment by the Sao Paulo government, whether it involves the electric industry or not. One of them wonders whether "it is politically acceptable to public opinion to hand over good assets to solve the problem of a bad liability."

Despite the obstacles, no one can come up with an alternative for making Banespa palatable for privatization. As Fernandes explains, the situation with Sao Paulo's debt to Banespa is tense. According to the banker, the privatization scheme presented by the BC calls for federalizing one-half of Sao Paulo's 12-billion-real debt to Banespa. If that happens, Sao Paulo will owe that half to the BC itself. The other half will continue to comprise Sao Paulo's debt to Banespa and will be backed by solid real guarantees. Sources in the Sao Paulo government now place the total debt at 13 billion reals, but Fernandes has been working with a figure of 12 billion reals.

According to Fernandes, the conditions for renegotiating the two halves of the debt as presented by the BC are the same: a 30-year term at the cost of exchange correction plus five percent per year. In the banker's opinion, the six-billion-real debt that would remain with Banespa "is a huge amount exceeding Banespa's net assets, and the funds financing that asset are all short-term funds at overnight rates."

Based on that finding, Fernandes makes a few simple calculations to show that privatizing Banespa in the manner presented by the BC is not possible. Assuming an interest rate of 60 percent per year (and a debt of 6 billion reals), the cost of carrying that asset comes to 3.6 billion reals per year. Since it yields five percent per year (excluding the exchange variation, which may alter the result, but not by much), the cost will be reduced to 3.3 billion reals per year. That, according to Fernandes, is how much the purchaser of Banespa will lose if the privatization model is not changed.

He says that the probable lowering of the domestic interest rate will not change the situation much. "You can use smaller figures (for the cost of carrying the asset), but the loss will still be huge," Fernandes says.

So it is the Sao Paulo government's inability to service and amortize its debt to Banespa at market cost—even if that debt is reduced by half—that is leading the bankers to advocate paying off the debit under a plan involving dation in payment. "The alternative is the plan for using the state's assets for dation in payment or removing the entire debt from Banespa," says Roberto Ruhman, director of the Indosuez Bank, who also participated in the talks on Banespa.

The bankers say that from the standpoint of potential purchasers of Banespa, the wretched situation with the bank's assets is made even worse by the proposed plan for partial privatization, under which, in addition to the fact that the state and the Sao Paulo state employees' welfare fund (Cabesp) would own more shares than the private sector in the final phase, there is also the question of appointing the board of directors.

It would be appointed with the approval of 75 percent of the council in a process of "negotiation and conciliation," to quote a high-ranking executive who is connected with a powerful U.S. investment bank and who also participated in the talks. According to the executive, that would lead "to a divided board of directors" as the result of a process similar to the one that caused problems for the National Steel Company (CSN) following its privatization and unlike what happened at Acesita [Itabira Special Steel Company] under the leadership of Wilson Brumer.

Chile

Brazilian Planning Minister Serra Interviewed

PY1808135495 Santiago ESTRATEGIA in Spanish 24 Jul 95 pp 36-37

[Interview with Brazilian Planning Minister Jose Serra; place and date not given]

[FBIS Translated Excerpt] [Passage omitted] [ESTRATEGIA] Some have said the Brazilian Government is inconsistent over the principles of free trade, on one hand, and the adoption of trade restrictions, on the other.

[Serra] There is no inconsistency. The process of opening the economy and trade has been very swift, drastic, and massive. Brazil is now the most open industrialized economy and does not have a tradition or an organized structure against unfair trade practices like those of the United States, Argentina, or Mexico.

The Brazilian economy is extremely open. I would say it is more open than the Argentine economy. It is, therefore, natural that in an opening process as swift,

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drastic, and massive as ours, some parallel adjustments must be made. [passage omitted]

[ESTRATEGIA] So far, the real has been devaluated three times against the dollar, and this devaluation totalled 15 percent. What plans does the government have in this regard?

[Serra] We are making the exchange policy more flexible. The idea is to have a more flexible exchange rate instead of a fixed rate. We are not planning any additional appraisals. We are not contemplating any further devaluation and we believe we have the possibility of generating monthly trade surpluses this year, in view of the good performance of our exports.

[ESTRATEGIA] A consortium mostly comprised of companies with Brazilian capital has purchased the electricity-producing company, Escelsa [Espirito Santo Power Plants, Inc.]. Does it make any difference to the Brazilian Government whether fresh money entering its coffers is Brazilian or foreign?

[Serra] No. We are very pleased to see foreign investors, including Chileans, participate in our economy. We are very interested in Chilean money in our economy. Unfortunately, in Escelsa's privatization there have been problems regarding the privatization rules, and these problems were too difficult to resolve quickly. It was the first time we were privatizing an electricity-producing company, and we did not have a great deal of experience in the area.

[ESTRATEGIA] Enersis [expansion unknown] and Chilectra [Chilean Electric Company, Ltd], which were part of the consortium, planned to participate in the Escelsa auction. They stated, however, that the rules were not very clear and that no one could guarantee that they would not change in the future

[Serra] The Brazilian groups, however, did not think so and paid 12 percent more than the minimum price established for the Escelsa shares. Nevertheless, for the privatization of the next electricity-producing company -- the Rio de Janeiro Light and Power Company — which is six times larger than Escelsa, we will work very hard on the documents and the privatization rules. I have instructed the National Bank for Economic and Social Development (BNDES), which is the executive branch's right arm in privatization matters, to attentively listen to the Chilean investors and carefully write down their observations. There is a great deal to privatize in the electricity generating and distributing area.

[ESTRATEGIA] There has been a lot of criticism about the privatization rhythm, which is slow if compared to Argentina.

[Serra] The average time for the privatization of each company in Brazil is identical to the international average. Brazil has directly privatized $12 billion worth of its assets, not including the debts that have been absorbed by the purchasers. We cannot separate the volume already privatized from the time it took to do it. In Argentina, privatization began in mid 1989. Government Oil Deposits (YPF) was privatized in 1993, four years after President Menem was installed. In addition, their Constitution authorized them to privatize the companies. With the know-how [preceding word in English] we have already achieved, the privatization rhythm will now be swifter. Following the first privatization, the second and the third become increasingly easier.

[ESTRATEGIA] When will the government privatize the Rio Doce Valley Company [CVRD], which is the most important company of the privatization package being implemented by the Cardoso Administration?

[Serra] The CVRD is an extremely large and complex company. It is the world's largest iron ore exporter; it has assets provisionally evaluated at $14 billion with investments in iron and aluminum production, as well as in the railroad transportation area. We believe we will be able to conclude its privatization during the first half of 1996, despite the company's complexity and the political difficulties represented by its privatization, because the company works in nine different states of the Union.

[ESTRATEGIA] How much does the government expect to receive for the CVRD?

[Serra] We are opening a bid for the consultant companies that will establish the minimum price for its privatization. According to our laws, there must be two independent consultant companies, working separately. They have three months to present their final report on how the privatization will be conducted, how much the company is worth, and the minimum price for it. Once this final report is finished, the government will set the auction date. In such cases, it is not only important to do everything correctly, but also to make it seem correct.

[ESTRATEGIA] President Cardoso has discarded the possibility of privatizing the Brazilian Petroleum Corporation [Petrobras] and Congress is about to approve the easing of state monopoly over oil production and telecommunications. What is the situation of Telebras [Brazilian Telecommunications, Inc.]?

[Serra] Telebras is a holding [preceding word in English]. This means it operates at the federal and regional levels at the same time. The government plans to privatize regional telecommunications companies separately.

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It is not easy to do so. The Sao Paulo Telephone Company (Telesp) alone, is much larger than the Mexican or Argentine telephone companies. I repeat that the government plans to privatize it. Regarding the oil-producing area, the idea is to open it to private investors, but not to sell Petrobras, and this is a political decision.

[ESTRATEGIA] It is expected that the five proposals for constitutional reform that President Cardoso sent to Congress in March will be approved in August. What next?

[Serra] For the second half of the year, we will have to fight for the fiscal reform, the one that refers to public expenditures, the social security area reform, and the federal administration reform.

[ESTRATEGIA] When could those be approved?

[Serra] I believe those four reforms can be voted on during the second half of the year. I think 80 percent of them could be approved before December, but it is hard to say exactly when.

Colombia

Samper Visits Narino Communities, Inaugurates Works

PA1908022295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 19 Aug 95

[Report by William Calderon in Santa Fe de Bogota and Luis Carlos Burbano in Tumaco; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] [Calderon] President Ernesto Samper visited the southern part of the country today. Various towns in Narino Department saw a president of their country for the first time.

[Burbano] I will not let the corrupt, drug traffickers, or criminals take over the country. This was reasserted one more time by President Ernesto Samper Pizano in his brief visit to the city of Tumaco, where he inaugurated the Social Security Fund outpatient facilities, the Pasto-Tumaco highway, and the turnoff to Samaniego. These works cost more than 60 billion pesos.

Moreover, Samper Pizano abstained from commenting on Andres Pastrana's request, and he said he is not involved in a campaign — but he does respect any statement in this concern.

Once the visit to the port of Tumaco, Narino Department, concluded, the Colombian president traveled to the town of Puerto Asis, where he presided over a council of ministers this afternoon.

Lastly, Samper Pizano asked those who seek to disrupt the country's public order to let the government rule and justice prevail.

Samper Issues Decrees To Fight Crime in Capital

PA1908194795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 19 Aug 95

[From the "Cripton Newscast"]

[FBIS Translated Text] The National Government will issue in the next few hours strong measures to fight crime and violence in Santa Fe de Bogota. These decrees are part of the interior commotion legislation, and "Cripton Newscast" has learned the main aspects of these new provisions.

Five hundred and eighty municipal judges who had been left virtually inactive due to the latest justice reforms, will be tasked, beginning today, with investigating, trying, and sentencing [word indistinct], robbers, rapists, extortionists, and profiteers who have practically besieged the capital.

President Samper signed a few moments ago the decree aimed at protecting Santa Fe de Bogota from common crime. Now, not even minors who commit offenses will be able to dodge prison if they abuse any citizen.

Conducts involving sexual assaults, as well as rape of women and children, will be sanctioned with prison terms and will not be subject to bail.

In addition, crime resulting in injuries preventing citizens from working for less than 30 days will also be severely penalized.

With this presidential decree, the violations against police authority will become offenses not subject to bail. In addition, if you are the victim of a crime, you will not have to file a criminal lawsuit. This function will now be assumed by police.

Beginning today, judges will also have nine days to try and sentence [word indistinct], car thieves, extortionists, and rapists at a hearing.

In addition, the Search Bloc will be transferred from Cali to Santa Fe de Bogota to fight drug trafficking on the streets of the capital.

Former Candidate Pastrana Suggests Samper Step Down

PA1808175395 Madrid EFE in Spanish 0528 GMT 18 Aug 95

[FBIS Translated Text] Santa Fe de Bogota 17 Aug (EFE) — Andres Pastrana, former candidate for pres-

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ident for the Conservative Party and runner-up in last year's elections, today suggested that President Ernesto Samper to separate himself temporarily from his position due to the crisis caused by the reported presence of drug money in his election.

Speaking over the television, Pastrana said Samper should step down in favor of Humberto de la Calle, Colombian vice president and ambassador to Spain.

Pastrana, who was defeated by Samper in the 1994 runoff elections, said that Samper cannot remain placid enough to govern due to the country's situation.

Speaking over a television network tonight after the National Television Council gave him permission, Pastrana said a temporary withdrawal by Samper would make more transparent the investigation on the reported participation of illegal money in his campaign. "Calm must be restored to govern. It is easy to restore calm. It would be enough to be courageous and tell the truth, all the truth, and nothing but the truth because Colombia suffers from a lying virus and this lie has the country on its knees."

Pastrana also said that the institutional crisis that is affecting Colombia should help the country obtain two fundamental freedoms: "one is freedom from drug trafficking and its corrupting power and crime. The other is freedom from a system of concealed influences and dark contributions that has blemished and perverted our electoral system, which is the heart of our democracy."

Pastrana said that perhaps his interpretation of time, place, and the way he used to present to the country his truth about the participation of drug money in the ruling government party, the Liberal Party, was not timely.

Half-way through last year, the leader of the so-called Democratic Force reported to the authorities some recordings, which became to be known as narcocassettes and contained conversations between the Cali Cartel and officials of Samper's electoral campaign. He added that offers of money hinted to the Conservative Party's campaign officials were turned down. "As long as we are not sure that the past elections were a pure expression of the desire and will of completely free people, any public effort will be cast into doubt. The Colombian Government must be as good and decent as the Colombian people."

Pastrana proposed that Samper use the constitutional provision whereby he can take a temporary leave because the circumstances are not giving him the necessary calm to govern. The term must remain in the Liberal Party's hands, however. As the Constitution stipulates, the position should be handed over to Vice President Humberto De la Calle, he said.

De la Calle, designated for the position by Samper's electoral slate, was sworn in as Colombian ambassador to Spain two weeks ago.

Samper Dismisses Pastrana's Remarks

PA1908190895 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 19 Aug 95

[From the "Cripton Newscast"]

[FBIS Translated Text] President Ernesto Samper Pizano has reiterated his request to be allowed to govern in peace. Last night, the president addressed various issues of national importance during an homage to the memory of Luis Carlos Galan.

[Begin Samper recording] We are all more loyal to our country and our principles than to any other allegiance.

I am in the government and I understand there are some people who are waging political, legitimate activities. Dr. Santos and Dr. Pastrana have the right to state their views. I am not disturbed by this. This is what democracy is all about.

Extradition is not on the government's agenda. We are working precisely to prevent the reoccurrence of extradition. That is why we have strengthened the justice administration system. That is why this week we adopted measures to improve the prison security system.

Colombia must continue to make every effort to be able to try its nationals, drastically and without any type of privilege, so they can serve their terms according to Colombian justice and in Colombian jails. [end recording]

Prosecutor General Wants Extradition Reinstated

PA1808202895 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 18 Aug 95

[Report by Yolanda Ruiz and Fernando Ramos in Soacha Municipality Plaza; from the "National Newscast"]

[FBIS Translated Excerpt] One year at the helm of the institution, Prosecutor Alfonso Valdivieso Sarmiento says that his greatest achievement has been to acquire solid evidence to judge drug traffickers in Colombia. Nevertheless, he believes that extradition needs to be reinstated.

[Begin Valdivieso recording] I believe that the extradition prohibition at the constitutional level was a mistake committed by the Constituent Assembly. Dealing with a crime that has all the characteristics of organized crime, the international community should not be

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denied these options, including extradition. Colombia should not have prohibited extradition, at least not at constitutional level. [end recording] [passage omitted]

Prosecutor General Denies Asking for U.S. Protection

PA2008184895 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1800 GMT 20 Aug 95

[From the "NTC News"]

[FBIS Translated Text] We have last minute news. Prosecutor General Alfonso Valdivieso has just stated that at no time has he asked or will he ask the United States for bodyguards or protection. He said he continues to trust the protection provided by the Colombian authorities.

Ecuador

President on Supreme Court's Action Against Vice President

PA1908234595 Quito Voz de los Andes in Spanish 1700 GMT 18 Aug 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen was surprised over the speed with which the Supreme Court has initiated legal action against Vice President Alberto Dahik and his private secretaries although no warrants for their arrest have been issued. Duran-Ballen has said court trials in Ecuador normally drag on for weeks. In this particular case, actions are being taken with unbelievable dispatch, and a sentence has practically been handed down, he has said. The president has said the case is being handled with political motivations, and he has recalled that one of the proposals he submitted in early 1993, when he appeared before Congress, sought to depoliticize the justice system, a situation which has not changed.

Paraguay

Israeli Foreign Ministry Official Discusses Terrorism

PY1708133095 Asuncion ABC COLOR in Spanish 6 Aug 95 p 20

[Interview with David Cohen, head of the Israeli Foreign Ministry Latin American Department, by Hugo Ruiz Olazar, in Asuncion "this week"]

[FBIS Translated Text] [Ruiz] Why did Israel almost withdraw its embassy from Asuncion?

[Cohen] The number of Israeli missions around the world has increased considerably following the current new world political situation and the four-year-long peace process in the Middle East.

[Ruiz] Do you mean the opening in East Europe?

[Cohen] Not only East Europe. Our representation has also increased in Africa and Asia, in countries that are very important for geopolitical reasons like China, India, the former Soviet Union...

[Ruiz] Did your country not have diplomatic relations with these countries?

[Cohen] That is correct. Our diplomatic relations with the Soviet Union were severed in 1967.

[Ruiz] After the six day war, that is.

[Cohen] Yes, after the six day war, particularly after the Yom Kippur war when Arab countries began what became known as the oil war. On that occasion Arab nations threatened to boycott countries that maintained relations with Israel. Latin America stayed on Israel's side, except for Cuba.

[Ruiz] The issue of new embassies affected everyone after the fall of the Berlin wall.

[Cohen] Yes. Our budget does not allow us to maintain such a large number of embassies around the world. We are happy because Paraguay has finally opened an embassy in Israel and reciprocity has thus been maintained.

[Ruiz] Was the embassy in Paraguay more or less just a protocol requirement?

[Cohen] Not at all. It is an embassy like any other in the world. It is very efficient.

[Ruiz] It was not just in gratitude, was it? Paraguay's vote was important in the United Nations vote for the creation of the state of Israel in 1948?

[Cohen] Not only Paraguay is important. Latin America has been and is a very important continent. It has shown a lot of solidarity with Israel.

[Ruiz] Does Israel profit commercially from these relations?

[Cohen] The point is not economic profit. Israel, with everything it has suffered, will never forget its friends in difficult moments.

[Ruiz] You never forget that United Nations vote, do you?

[Cohen] It is not only that vote that we do not forget. Paraguay opened its doors to Jewish immigrants during the World War II. It was the Israeli right hand during the 1940's and 1950's. I recall that when I was a

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child countries like Paraguay, Uruguay, the Dominican Republic, and Costa Rica were often the only ones to support Israel when the United States passed resolutions against it. It was a very important era.

[Ruiz] The life of Israeli diplomats must be very difficult. Security around you is very strict, as we can see.

[Cohen] Without doubt. You are right. Everybody thinks being a diplomat is very nice. The image of a diplomat is that of a man with a glass in his hand at cocktail parties and receptions, enjoying the good life.

[Ruiz] Is that not the case?

[Cohen] At least in the case of Israeli diplomats, no. Our neighbors have not recognized us since our creation. This is why security around us is very strict.

[Ruiz] What is the reason for this internecine war, these bloody attacks?

[Cohen] We have signed peace agreements with Egypt, Jordan, and Palestine. Arab countries from the [Persian] Gulf have also shown good faith. Countries like Tunisia and Morocco already have some sort of relationship with Israel. Yet there are extremist groups, even in Arab countries, that do not want to recognize Israel. They never budge and put spokes in the wheel of the peace process.

[Ruiz] The spread of violence had not reached Latin America.

[Cohen] No. The terrorist wave against Israel's diplomatic targets began precisely here in Paraguay with the murder of Edna Peer, the wife of Israeli diplomat Moshe Peer in 1962. She was the first victim of the Israeli diplomatic service.

[Ruiz] Was that murder case solved?

[Cohen] The culprits were never found.

[Ruiz] With regard to the attacks against the Israeli Embassy in Buenos Aires (1992) and the AMIA [Argentine-Israeli Mutual Association] headquarters [1994], do you have a clear idea who perpetrated them?

[Cohen] We are absolutely certain who is responsible.

[Ruiz] Many have pointed the finger at the Hezbollah.

[Cohen] For us, it is quite clear that fundamentalists supported by Iran were responsible for the attacks in Buenos Aires. We strongly suspect they had local support as they could have never perpetrated such attacks by themselves.

[Ruiz] It was said that those responsible for the attacks hid in the border area of Argentina, Brazil, and Paraguay.

[Cohen] I am a diplomat. I am not involved in investigations. Nevertheless I read newspapers like other citizens. Over the past few months there has been a lot of information about that area.

[Ruiz] Have you recommended that a more thorough investigation be conducted in that area?

[Cohen] The only thing we can do is ask the Argentine Government, in whose territory the two attacks were perpetrated, to do its utmost, its very utmost to find the culprits.

[Ruiz] Is Israel not satisfied with what Argentina has done?

[Cohen] We trust that they have tried their best; still, we believe that one can always try harder.

[Ruiz] Very few of those investigations seem to have yielded fruit. Do you have any figures about how many crimes of this type were solved?

[Cohen] We have a report on all terrorist attacks in 1994. Following the attack on the AMIA headquarters, there was another one on the Israeli Embassy in London. Those culprits were found.

[Ruiz] Who were they?

[Cohen] Muslim extremist groups supported by Iran.

[Ruiz] Do you surmise that these groups backed by Iran are behind all the attacks?

[Cohen] Yes.

[Ruiz] Absolutely all the attacks?

[Cohen] Yes, yes.

[Ruiz] And in the past?

[Cohen] Terrorist attacks used to be perpetrated by Palestinians. Nevertheless, since we embarked upon the peace process, since Yasir 'Arafat and Yitzhaq Rabin shook hands in Washington, D.C., the PLO has ceased to be involved in attacks. On the contrary, now it tries to prevent attacks because terrorist acts threaten the objectives that Israel and the PLO have mapped out.

[Ruiz] Have the Israeli people been utterly divided since your government began the peace process?

[Cohen] All our people want peace, but they are divided as to the path to be pursued. With the Palestinians, Israel committed itself to various concessions. Syria wants the Golan Heights to be returned at no cost. So, there are

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two trends: some want peace, while some believe we are exposing ourselves to a very high risk and want a more gradual return that will give us security. It is a very difficult situation, but Israel is willing to bear the cost. Over the next few months, we will experience a very hard time.

[Ruiz] Can you describe the life of an Israeli diplomat? Are you aware that you may be the target of an attack at any moment?

[Cohen] I believe nowadays diplomats from various countries must take the required precautions. This makes our life a little complicated. After all, we would like to be free. We would like to move about freely, without being followed by anyone like a shadow. Unfortunately this is a fact and we have to live like this. I served as an ambassador in a country in which there was a civil war.

[Ruiz] Which country?

[Cohen] El Salvador, during the civil war there. There were threats and I was tied to a very severe security system. But I got used to it.

[Ruiz] After so many attacks and so many killings, are the people harboring so much resentment that it is difficult to achieve peace?

[Cohen] I would not say that. After so many attacks, the Israeli people have their doubts about peace. There have been many casualties during the past seven or eight months. If the killings continue, the Israeli people will ask themselves about the kind of peace that lies ahead.

[Ruiz] Nevertheless, it is necessary to admit that Israel has also practiced the "eye for an eye and tooth for a tooth" dictum with its neighbors. Did it yield any results?

[Cohen] I do not believe that there has been any "eye for an eye and tooth for a tooth" policy. A hard-line policy was used when a hard-line policy was required. When a well-calculated political belief was required, it was implemented as a method. Our goal has always been to guarantee peace for our people.

[Ruiz] Does 'Arafat's control in the Gaza Strip and Jericho work?

[Cohen] We want to see if it will work. Our troops have left the Gaza Strip and the city of Jericho. Now we can say that the Palestinian [National] Authority, headed by Yasir 'Arafat, has controlled the area and has reduced the attacks against Israel during the past four months. Nevertheless, if it becomes a regime like that of Al-Qadhdhafi in Libya or Saddam Husayn in Iraq, we will halt the process.

[Ruiz] There are joint patrols in Jericho.

[Cohen] That never happened in the past. It represents a new reality that is showing us that, with effort, the peace process will succeed. Nevertheless, there are fundamentalist groups and PLO groups that challenge the agreement signed by Rabin and Yasir 'Arafat.

[Ruiz] You frequently mention Iran in the attacks. Why Iran?

[Cohen] Remarks by Khomeini's supporters in Iran are no secret. For the Iranians, Israel does not exist or it must be destroyed. For the Iranians, Israel must be wiped from the map. This represents an expression of religious fanaticism. This is why the Iranians help groups like the Hezbollah in Lebanon or the Jihad in other areas.

[Ruiz] The Lebanese ambassador in Buenos Aires has said the Hezbollah is a party like any other political party.

[Cohen] For us, they are terrorists. They are our enemies.

[Ruiz] Do you still fear more attacks in this region of the Americas?

[Cohen] They will remain a possibility as long as the people responsible for these attacks in Buenos Aires are not found. It has been proven that the people involved in these attacks have the infrastructure and the means to carry out more attacks. Warnings have even been issued in Argentina. If two attacks have already been carried out, who can guarantee there will be no more?

[Ruiz] What about Paraguay? Do you believe Paraguay might be a favorable scenario for these extremists?

[Cohen] I have no idea, but it is possible here or anywhere.

Peru

Tudela: Ecuadorans Returned To Red Cross

PY1908034095 Lima America Television Network in Spanish 0100 GMT 19 Aug 95

[FBIS Translated Text] After the swearing-in ceremony of newly appointed Deputy Foreign Minister Jorge Voto-Bernales, Peruvian Foreign Minister Francisco Tudela today said that the upcoming meeting between the Peruvian and Ecuadoran presidents will not center on the recent border conflict but on the agenda of the upcoming Rio Group summit. Voto-Bernales replaces Eduardo Ponce Vivanco, who has been appointed Peruvian ambassador to London.

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[Begin recording] [Reporter] The entire diplomatic corps was present during the swearing-in ceremony of the new Peruvian deputy foreign minister and foreign relations secretary general. Jorge Voto-Bernales is a career official and a graduate in foreign relations. Until recently he was the Foreign Ministry's Political Affairs Department director and national coordinator before the Rio Group. He replaces Eduardo Ponce.

During a news conference he held after the ceremony, Foreign Minister Francisco Tudela explained the reasons for this change.

[Tudela] The changes taking place at the Foreign Ministry are in compliance with the new negotiating strategy that will be enforced. The main guidelines of this strategy are based on the Rio de Janeiro Protocol; the Braz Diaz de Aguiar arbitration ruling, and the Itamaraty Declaration.

[Reporter] In reference to the two Ecuadoran soldiers who were arrested in Peruvian territory, Tudela said that both were lost and that, therefore, they have been placed at the disposal of the International Red Cross, which will handle their extradition.

As for the upcoming Rio Group presidential summit to be held in Quito, Ecuador, Foreign Minister Tudela said that in principle, the presidential meetings will center on the issues on the agenda and not on the Peruvian-Ecuadoran border problem.

[Tudela, in progress] ...The objective of his presence is circumscribed to important multilateral issues that will be discussed at the Rio Group summit.

[Reporter] Regarding the Argentine Government's confirmation that there was a triangular operation involving shipping of guns to Ecuador during the recent war with Peru, Tudela said:

[Tudela] We are as much interested as the Argentine Government to find an expeditious solution to this issue.

[Reporter] Speaking about Peruvian-Chilean diplomatic ties, the foreign minister said that the Lima Conventions agreements are still under study.

[Tudela] What we are doing now in this regard is awaiting the assessment of the experts on the content of the Lima Conventions. After the study is concluded, we will submit it for consideration by the Foreign Ministry Consulting Committee, after which it will be submitted to the Congressional Foreign Relations Committee. [end recording]

Uruguay

Army Chief Curutchet Reviews Situation

PY1708184995 Montevideo LA MANANA in Spanish 3 Aug 95 p 6

["Exclusive" interview with Lieutenant General Juan C. Curutchet by unidentified reporters; place and date not given]

[FBIS Translated Text] [LA MANANA] Commander, considering our non-aggressive tradition and our slim possibility of going to war, why does Uruguay need an Army?

[Curutchet] It is, above all, a permanent dissuasive element ready to face any threat to our independence, territorial integrity, or institutions. It is also a backup for the police forces in case they need reinforcements to maintain public order. That dissuasive capacity does not rest as much in the number of troops, which are logically few, as in the Army's degree of training, discipline, and its belief that they can make any aggressor pay a high price. It is precisely the complement of our policy of nonintervention and self- determination. Switzerland was neutral during the past two world wars, but it maintained compulsory military training and a capacity to mobilize 10 percent of the population in less than a week. I believe security is a need that is recognized the world over.

A total of 88 percent of all countries accredited before the United Nations have Armed Forces and half of the remaining countries have national guards, with ground, air, and naval forces.

[LA MANANA] What have been your basic instructions to the Army since you took office?

[Curutchet] A commander should not delegate responsibility, but the Army cannot reflect the views of a single person. To have continuity, orientation must be institutionalized and promoted based on internal needs and possibilities, the national and international situation, and the progress in military equipment technology. Within this framework, we must promote our permanent objectives of achieving more efficiency through training. The Army needs cohesion and discipline if it is to fulfill the essential roles I have just mentioned and other secondary functions that are the consequence of its higher objectives. The Army is an element through which our country can internationally project itself and its national identity. The Army is also a development factor because it participates in public interest works in education and health assistance throughout the country.

[LA MANANA] This is a year of tight budgets, what prospects do you have of continuing to fulfill those tasks?

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[Curutchet] I prefer to speak about needs more than prospects. In this sense our most urgent need is in the area of salaries. Military salaries have in the past 10 years increased a lot slower than the average salary in the public administration. We must take into account that the Army requires a university degree for high-ranking officers. The Army also requires total dedication and has strict disciplinary and physical demands.

To fulfill our needs we must increase our production in several areas: the manufacturing of explosives, maps, and topographic charts; the exploitation of agricultural teachings; and our bakeries and farms production.

[LA MANANA] The Army would not reduce its personnel to finance a salary hike, would it?

[Curutchet] We already tried but the result was exactly the opposite. The Army reduced its personnel by 26 percent but military salaries dropped by the same percentage compared to the consumer price index.

Besides, the fulfillment of our mission will be at risk if we reduce our personnel. You must also take into account that our recruiting system is through voluntary contracts. Our system is the exception in Latin America. Almost all other countries have a compulsory military service, which allows these countries to have prepared and ready to mobilize reserves. Our system does not allow us to have those reserves, and it is more expensive because we pay salaries, health care, retirements, etc. On the other hand our system has more training continuity and other advantages from the social point of view.

[LA MANANA] Could these social advantages you have mentioned not be achieved by other state institutions?

[Curutchet] As I said before, our system is a consequence, a complement of our basic mission. Besides, other institutions can hardly provide employment, education, and social and health care all at once. Education is essential for the personal promotion and social mobility of our personnel. The other needs are more urgent for most other people.

Recently in Argentina, the labor minister announced the creation of 25,000 new jobs in the Army, to be paid for by the National Employment Fund, to attend to nonspecialized logistics tasks and to create jobs. The state finds it very difficult to abstain from regulating employment.

In our case, the Army can still make a great contribution to society by educating its personnel and orienting its lower ranks to take technical courses in accordance with the needs of the market. This attitude will eventually give greater support to industrial production, the retooling of factories, the preservation of the environment, and other objectives that might be determined later.

[LA MANANA] The draft bill reforming the social security system that Congress is now analyzing establishes the principle of universality, which includes all other funds, including the military fund. Is the Army studying ways to eliminate the differences with the public system?

[Curutchet] These differences exist and are recognized by the current draft bill when it mentions the need to consider the nature of certain activities. The military activity is totally dedicated to its function. The place of work could be the interior of the country or even a foreign country. We have disciplinary demands that accompany the military man into retirement, and risks, physical fitness requirements, and a long professional training. These differences are broadly recognized in social security systems in other countries, in Europe as well as in the Americas.

These facts do not mean we are not studying ways to adapt to the principles established in the draft bill. All systems can be improved, but our interest is to reduce our current dependence from the general budget.

We tried to correct this situation through a law in 1986 and then through a plebiscite to amend Article 67 of the Constitution. We also fought a Supreme Court decision to include retired officers in this adjustment system. We must now study the new imbalances.

[LA MANANA] Is there any news from the UN peace missions abroad?

[Curutchet] We have nearly 1,000 officers in 10 regions in four continents. We also have personnel permanently representing us in our Antarctic base.

The largest number of troops is stationed in Angola, where the Third Uruguay Battalion is now deployed, even though there was some delay due to road conditions.

All missions are performing as required, without problems, except for some cases of malaria that are under control. Next month I will be able to give you more details after I visit the zone where our battalion is deployed.

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Venezuela

Envoy on Postponement of Accords To Be Signed With Mercosur

PA1808010395 Caracas EL UNIVERSAL in Spanish 9 Aug 95 p 2-7

[FBIS Translated Text] The economic supplemental and partial agreements signed by Venezuela and Mercosur [Common Market of the South] member nations, within the framework of the ALADI [Latin American Integration Association], were postponed until December 1995.

Brazil, Argentina, Paraguay, and Uruguay have reaffirmed their willingness to continue the negotiations on a supplemental economic agreement with a view to creating a free trade area with Venezuela. To this end, they have decided to postpone until December 1995 implementation of the agreed on preference system for the commercial integration contemplated in the many commercialization and economic supplemental framework agreements.

According to Ambassador Alfredo Toro Hardy, this new postponement is vitally important, because the commercialization and economic exchange among Venezuela and the Mercosur nations do not stop. Their normal course continues while the mechanisms necessary for the opening of the free trade area are being negotiated, analyzed, and implemented.

The chief of the Venezuelan diplomatic legation in Brazil has said that with this postponement on the economic supplemental agreements, tradesmen and industrialists who export and import their merchandise from Venezuela to Mercosur could continue with their normal activities. Each one of the Mercosur member nations has voiced the need to keep and broaden the trade existing among them and Venezuela, so the negotiations for the creation of a South American free trade area are well ahead, Ambassador Toro has said.

Caldera Meets Jagan, Reviews Border Dispute Issues

PA1908161195 Caracas Venezolana de Television Network in Spanish 0200 GMT 19 Aug 95

[Report by Maria Lisette Ramos for "The News" newscast]

[FBIS Translated Text] President Rafael Caldera met with his Guyanese counterpart, Cheddi Jagan, and said that for the first time in 30 years, after the Geneva Accord, Guyana has admitted the need to talk about the problem over the delimintation of maritime and land areas in Essequibo.

The president's statements were given in a news conference held upon his departure from the Association of Caribbean States' summit being held in Trinidad and Tobago. Dr. Rafael Caldera stated his pleasure over the results achieved in the meetings because it shows an exchange of experiences and the governments' need to cooperate and strengthen the nations' joint work.

Venezuela, in its policy of good faith to solve border issues and improve relations with neighboring countries, talked with Guyana on the Essequibo problem, which has been handled through advocates and mediators, like UN official Allistair McIntire.

[Begin Caldera recording] I cannot say more but, obviously, an option is now open after being closed until now. The government of Trinidad and Tobago has been very hospitable with the delegations that came from all over the area; and this has been an occasion to exchange relations and talks with various heads of state and government from very friendly countries. [end recording]

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